ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

ECLAC

PRELIMINARY OVERVIEW OF THE ECONOMY OF LATIN AMERICA AND THE CARIBBEAN 1994

UNITED NATIONS

ISSN 1014-7802

UNITED NATIONS

ECONOMIC COMMISSION
FOR LATIN AMERICA AND
THE CARIBBEAN – ECLAC

Distr.
GENERAL

LC/G.1846
20 December 1994

ENGLISH
ORIGINAL: ESPAÑOL

PRELIMINARY OVERVIEW OF THE LATIN AMERICAN AND CARIBBEAN ECONOMY 1994

1. THE REGIONAL PANORAMA

The year 1994 produced new evidence of the consolidation of a more dynamic economic performance in Latin America and the Caribbean. The growth rate of the gross domestic product in the region rose from an average of 3.2% a year in 1991-1993 to 3.7% in 1994, the second highest level in the last 14 years. Per capita income rose by 1.9%. Average inflation (excluding Brazil) fell to 16%, a record low in recent decades. And Latin American and Caribbean countries continued to attract large amounts of foreign capital –nearly US$ 57 billion in 1994–, which financed the growing deficit in the current account.

These achievements were made possible in part by improvements in the international economy, especially during the second semester. Growth among the industrial countries doubled to 2.7%, world trade volume rose from 4% to 7%, and prices of non-fuel primary products rose for the first time in five years. Increases in international interest rates were not sufficient to offset these positive trends. In addition, and in spite of a climate of uncertainty that prevailed in several countries owing to ongoing electoral processes, improvement in Latin American and Caribbean economic performance was assisted by the continued expansion of domestic investment, as well as by the persistence of stabilization policies and structural reforms. A further dynamic effect was derived from the new impetus in regional integration measures.

Notwithstanding the improved performance, however, the expansion of productive employment continued to be insufficient in most parts of the region as the workforce grew rapidly, reflecting higher rates of participation. In some countries, the effects of economic restructuring and the attempts to increase competitiveness have had a short-term negative impact on the demand for labour. Consequently, unemployment and underemployment have not diminished in consonance with growth rates, and in some countries have even risen in spite of the stimulus of expanded output.

Generally speaking, it is clear that growth rates under 4% in Latin America and the Caribbean are not high enough to allow major inroads in the battle against poverty or to prevent unemployment and underemployment from remaining unacceptably high. At the same time, the capital inflows, although welcome for their contribution to growth and investment, reflect insufficient domestic savings rates and may undermine efforts to increase exports. Thus, many tasks remain if the twin goals of increasing international competitiveness and improving social equity are to be achieved in the coming years.

An important feature of the past year was an increasing convergence of growth rates among the countries in Latin America and the Caribbean, with the majority attaining moderate growth rates together with moderate inflation. Only three countries grew more than 5% (Argentina, Guyana and Peru); likewise, only three had negative growth (Haiti, Honduras and Venezuela). It is interesting to speculate to what extent the increasing importance of intraregional trade, coupled with a greater convergence in policy-making, is contributing to this greater symmetry in the performance of different countries.

Price stability continued to be a high priority of economic policy in the region, and new achievements were attained in this area. Excluding Brazil, average rates of inflation have fallen from 49% in 1991 to 22% in 1992, 19% in 1993 and 16% in 1994. Based on preliminary data, it appears that all but six countries will have inflation rates under 25% this year; only Brazil, Haiti, Honduras, Jamaica, Uruguay and Venezuela will exceed this level. Moreover, eight countries are likely to see single-digit inflation: Argentina, Barbados, Bolivia, Chile, El Salvador, Mexico, Panama and Trinidad and Tobago.

The most dramatic case of stabilization in 1994 was in Brazil, where the Real Plan succeeded in lowering inflation from nearly 50% per month to around 3%. In addition, major progress continued in Peru, where price increases have been brought down from over 7,500% in 1990 to 17.5% this year. Parallel success has marked Argentina, where inflation has declined from 1,300% in 1990 to only 3.6% today. Other countries where inflation declined significantly between 1993 and 1994 include Chile, Ecuador, El Salvador, Nicaragua, Trinidad and Tobago and Uruguay. At the same time, several countries experienced backsliding in 1994 with respect to price increases: Costa Rica, Honduras, the Dominican Republic and Venezuela all had considerably higher inflation than in 1993.

In previous years, gains or losses in the battle against inflation were heavily influenced by the fiscal situation. Now, the fiscal

balance in most countries in the region is either under control (although sometimes in a relatively fragile way) or financed externally; in 1994, a large and growing fiscal deficit was an important cause of increased price rises only in Costa Rica, the Dominican Republic, Haiti and Venezuela. Thus, other variables have become more important. Appreciation of the local currency and the rising demand for real money balances have made a significant contribution to the consolidation of price stability in some countries. In others, indexation mechanisms have counteracted the attempts of macroeconomic policy to cut inflation.

In these circumstances, investment in fixed capital continued to expand at the high rates of the last three years. Based on partial data for 1994, imports of capital goods grew especially rapidly in Peru, Argentina and Brazil, and continued at a strong pace in Colombia and Mexico. This is an important indicator of attempts by countries in the region to modernize their productive structure.

The recovery of the activity level in the industrial economies and the resulting increases in international trade, together with the dynamism of intraregional trade, combined to offer a favourable context for Latin American and Caribbean exports. These grew to US$ 153 billion in 1994, a rise of over 14%, substantially higher than the 5% growth rate in 1992-1993. An important element of this acceleration was the turnaround in export prices–, which, however, rose more slowly than the volume of sales. This change was primarily due to the behaviour of non-fuel commodity prices, which rose for the first time since 1989. Countries with especially high growth in export value were Bolivia (28%), Chile (25%), Ecuador and Nicaragua (24%), Peru (23%) and Colombia and Guatemala (20%).

Imports to the region in 1994 reached US$ 171 billion, a rise of 15% compared to 8% in 1993. The increase this year would have been even higher except for the sharp drop in Venezuelan imports owing to recession and foreign-exchange restrictions. The largest increases in import value occurred in Peru (36%), Argentina and Brazil (25%), Argentina (24%), Uruguay (23%) and Colombia (22%). These rates all represented an increased volume of imports, since price rises were quite moderate (2% to 3%).

The increase in the merchandise trade deficit (a 19% rise, from US$ 15 billion to US$ 18 billion) and rising factor payments (an 8% rise, from US$ 33 billion to US$ 36 billion) continued the tendency towards a widening current-account deficit, financed by massive inflows of foreign capital. The current-account deficit grew from US$ 46 billion in 1993 to US$ 50 billion in 1994, a rise of 8%. The largest deficits were found in Mexico (US$ 28.5 billion) and Argentina (US$ 10.5 billion), both of which represented increases with respect to 1993. Other countries had relatively stable deficits in comparison to the previous year, except for Chile (where exports grew dynamically) and Venezuela (where imports fell significantly).

Capital inflows to finance the current-account deficit were again very abundant, US$ 57 billion in 1994 according to preliminary estimates. Although the amount was smaller than the US$ 65 billion entering the region the previous year, the flows were able to overcome potential obstacles including uncertainty because of a number of crucial electoral contests, difficulties in the financial systems of several countries, and increases in United States interest rates. Moreover, the episodes of capital flight in Mexico and Venezuela were limited and did not have an impact on other countries. Since net capital flows were only slightly larger than the current-account deficit for the region as a whole, the accumulation of reserves fell from an average of US$ 20 billion in 1991-1993 to only US$ 7 billion in 1994.

The largest drop in capital inflows was in Mexico, where fears of political instability led investors to cut their net capital placements from US$ 29.5 billion to a still-high US$ 19.5 billion. Since this amount was substantially less than Mexico's current-account deficit, US$ 9 billion in reserves were drawn down to cover the difference. Venezuela's banking crisis led to a capital outflow of US$ 4.5 billion, in comparison with an inflow of nearly US$ 2 billion in 1993. Despite an opposite turn-about in the current account, Venezuela was also forced to draw down its reserves. Several countries in Central America and the Caribbean (Costa Rica, Guatemala, and especially the Dominican Republic) also received considerably less foreign capital than in the previous year. Only in Brazil, Colombia, Paraguay and Peru was there a large increase in capital inflows this year. Elsewhere, flows were relatively stable with respect to 1993. Overall, net resource transfers (net capital inflows minus interest and dividend payments) continued to be positive for the fourth year in a row, though they fell from US$ 32 billion in 1993 to US$ 21 billion in 1994.

The main types of capital flows to Latin America and the Caribbean in 1994 came through bonds, foreign direct investment and purchases of shares on regional stock markets or international stock markets via American and Global Depositary Receipts (ADRs and GDRs). Of the US$ 57 billion total net capital inflow in 1994, about US$ 17 billion (or nearly one third) was through bond issues, despite a substantial drop in this source with respect to 1993. ADRs and GDRs represented nearly US$ 5 billion, while foreign direct investment probably accounted for around US$ 15 billion. The remainder consisted of local stock purchases, official loans and various types of short-term capital.

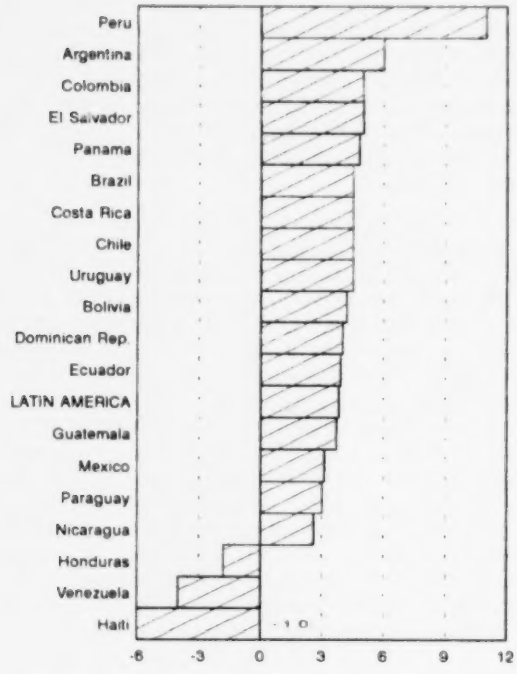
The region's debt rose by 5.8% in 1994 to reach, US$ 534 billion. This net increase of nearly US$ 30 billion was largely accounted for by the bond issues discussed above, together with loans from international and regional financial institutions and industrial-country Governments. These increases in liabilities were counterbalanced by commercial debt reductions in Brazil, Ecuador and the Dominican Republic, where Brady Plans were implemented. The combination of a moderate increase in debt and a more rapid increase in exports led to a decline in the debt-export ratio from 302% in 1993 to 280% in 1994 for the region as a whole. This is the lowest level since the debt crisis began. All Latin American and Caribbean countries except Haiti and Paraguay saw improvements in this ratio, but some (especially Nicaragua and Haiti) still have very high debt burdens that will have to be dealt with in coming years.

2. ECONOMIC ACTIVITY

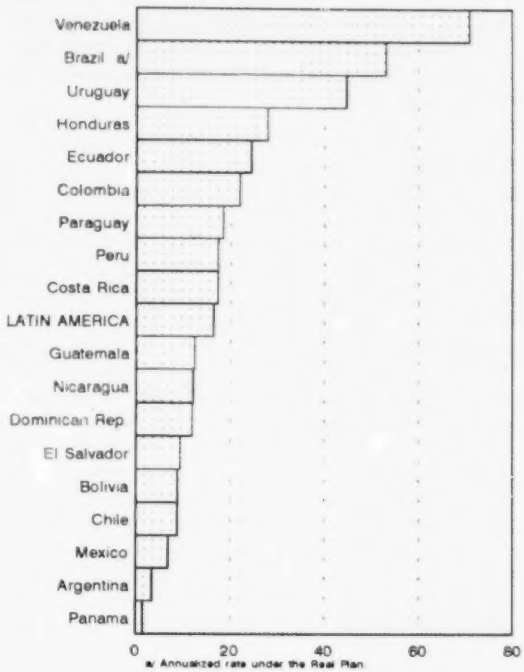
a) Main regional trends

The Latin American and Caribbean region's activity level rose by 3.7% in 1994, as the moderate recovery begun in 1991 gained momentum. As a result, per capita gross domestic product (GDP) rose again, this time by 1.9%. However, since regional output in 1994 was only 29% higher than in 1980, prior to the debt crisis, per capita GDP was still 3% lower than it had been that year, managing only to match its 1979 level. The increase in output was quite widespread, as only three countries

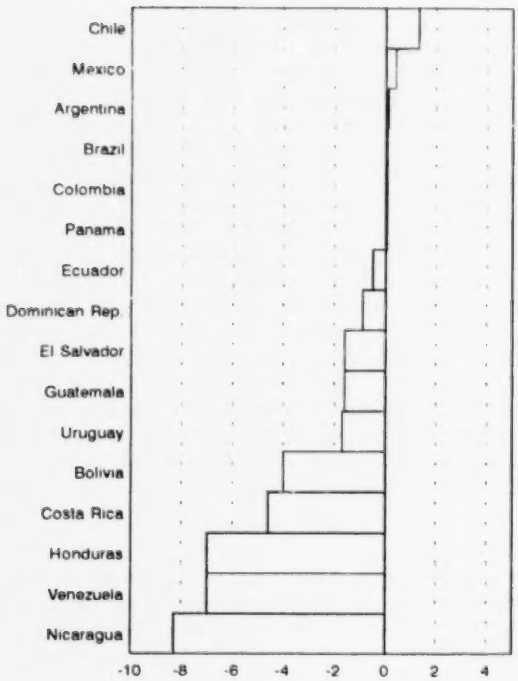
Figure 1
LATIN AMERICA AND THE CARIBBEAN: MAIN MACROECONOMIC INDICATORS - 1994
(Percentages)



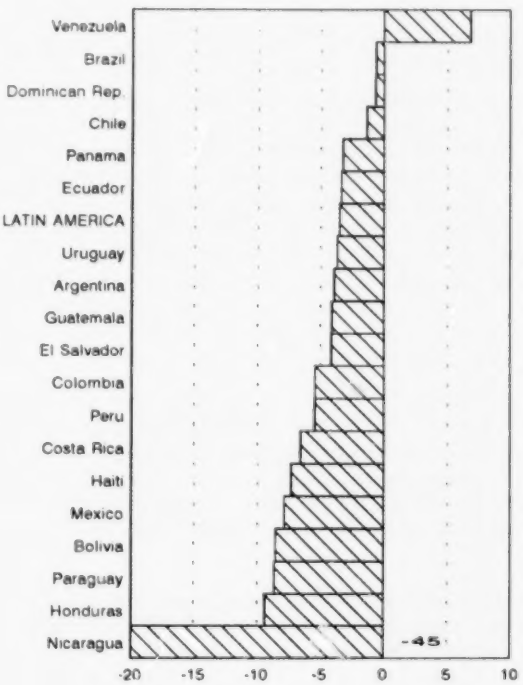
Gross domestic product



Inflation 12-month variation



Public-sector financial results / GDP



Balance on current account / GDP

Source: ECLAC, on the basis of official figures.

recorded downturns in the level of activity. Moreover, the countries' growth rates tended to converge, showing greater similarity than in previous years. The vast majority of the economies recorded increases that were close to the regional average, while the biggest gains were enjoyed by countries that are still recovering their activity levels after the prolonged recession of the 1980s. Growth in 1994 was due primarily to the expansion of external demand and the dynamism of investment, which was once again bolstered by a large inflow of financial resources from abroad.

Thus, Peru largely pulled out of its 1988-1992 recession as its economy continued to grow significantly, at a rate (11%) that was even faster than the 1993 rate of 6.5%. Guyana's economy expanded at the same brisk pace as in 1993, continuing its recovery for the fourth straight year. Argentina's economy also continued to grow rapidly (6%), completing four years of notable expansion, with a cumulative increase of 33%. Output in 1994 was 21% higher than in 1980, and for the first time, per capita income recovered its 1980 level. Meanwhile, in 15 other countries –Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Trinidad and Tobago and Uruguay–, GDP grew by 3% to 5%. Thus, Chile's economy expanded for the eleventh year in a row, though more slowly than in the preceding three years, when it had grown by 7%, boosting GDP to a level nearly 70% higher than the 1980 level. Colombia's growth, which has traditionally been positive (though sometimes modest), has picked up speed in the past three years. Brazil, for its part, continued the recovery begun in the midst of instability in 1993, following its lacklustre performance between 1988 and 1992, but did not match the levels it had reached in the mid-1980s. Mexico recorded moderate growth as its economy recovered from the virtual stagnation of the preceding year. Nicaragua's economy grew by 2.5% after a decade of falling activity levels, but GDP amounted to only two thirds of what it had been in the three years immediately preceding the crisis (1976-1978).

In contrast, five countries showed disappointing results: Jamaica's GDP grew by a modest 1%, as the economy turned in a mediocre performance for the fourth year in a row, while three other countries saw their activity levels decline. In Haiti, this deterioration reflected the prolonged recession in which the country has been mired since the outbreak of the political crisis. Meanwhile, the recession that hit Venezuela in 1993, after three years of rapid expansion, became more acute in 1994, while GDP in Honduras shrank after two years of strong growth. Lastly, economic activity in Cuba barely moved from the low level recorded in 1993, after three years of sharp contraction.

Thanks to faster growth in 1994, 11 countries performed better than in 1993, while nine others maintained satisfactory growth rates (which, however, fell below their 1993 levels in three cases); only four countries saw a decline in the level of activity. This contrasts with the outcome observed the preceding year, when only seven countries performed better than in 1992 (see table A.2).

Despite the still relatively high population growth rates in many countries of the region, the results in terms of per capita output were largely positive. In six countries –Argentina, Barbados, Colombia, Guyana, Peru and Uruguay–, this indicator of well-being rose by 3% or more, while another 11 countries –Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama and Trinidad and Tobago– recorded moderate increases of between 1% and just under 3%. In contrast, per capita output stagnated or declined in the remaining seven countries. Owing to the poor performance of the region's economies in the past decade, however, only eight countries saw their 1994 per capita output exceed its 1980 level: Chile (33%), Colombia (28%), Jamaica (16%), Uruguay (13%), Dominican Republic (7%), Panama (7%), Costa Rica (3%) and Argentina (1%). In Barbados and Paraguay, this indicator was practically the same in 1994 as in 1980. At the other end of the scale, the biggest reductions in per capita output since 1980 were observed in Haiti (-47%), Nicaragua (-42%), Trinidad and Tobago (-32%), Peru (-23%), Bolivia (-17%), Guatemala (-15%), Honduras (-10%), El Salvador and Mexico (-5%), Brazil (-3%) and Ecuador (-2%) (see table A.3).

The employment situation deteriorated in a number of countries in the region in 1994, as shown by higher unemployment rates and stagnant or falling formal employment indicators. In Argentina, open urban unemployment continued to rise, amply exceeding 10% of the workforce, while Venezuela also saw a sharp increase in this indicator. Chile's unemployment rate rose to about 6.7% in the period from August to October, compared to its considerably lower level of 4.8% in the same three months of 1993. Brazil's situation worsened slightly as open unemployment rose and employment in manufacturing (particularly in the formal sector) contracted. Mexico also suffered a moderate increase in unemployment, as the rate for urban areas rose from 3.5% in the first nine months of 1993 to 3.7% in the same period of 1994, while the level of formal employment fell, except in the *maquila* industry. Unemployment also worsened in Bolivia, Honduras, Nicaragua and Uruguay. In Peru, on the other hand, unemployment dipped slightly from 9.9% to 9.5%, while formal-sector urban employment remained stable, with downturns in manufacturing and commerce and an upturn in services. The employment situation also improved in Ecuador, El Salvador and Panama.

Employment patterns in Latin American countries are highly diverse. In Venezuela, the increase in unemployment is primarily attributable to the decline in output, especially that of activities geared towards domestic demand. In other countries, employment indicators were eroded by the effects of various measures implemented under stabilization and adjustment policies, such as mass dismissals of public-sector employees (sometimes in the context of privatization programmes, as in Argentina). Chile's stabilization policy has curbed domestic demand, thereby affecting the generation of employment in non-tradables sectors. In other circumstances, non-competitive firms have been driven out of business as a result of liberalization policies, with a consequent loss of employment (as in Argentina, Mexico and Uruguay). Likewise, the changes in production patterns which firms have introduced in response to increased competitiveness have often involved the absorption of less labour-intensive technologies. This has greatly increased labour productivity and led to high growth rates in industrial output that coincide with lower employment (in Argentina and Brazil).

The dynamic expansion of formal employment in 1994 was concentrated in manufactures exports (the *maquila* and automotive industries) and non-tradables (construction and finance). However, in most of the countries, the jobs created in those activities were fewer than the jobs lost in other sectors of the formal economy. Thus, job creation in 1994 shifted towards the informal sector; it is estimated that over 80% of all new jobs in the region were in low-productivity informal-sector activities. In rural areas of a number of countries, difficulties in the agricultural sector imply that formal employment in these activities has contracted (in Chile, Argentina and Paraguay),

although the sector is recovering in other countries (such as Peru).

b) **The national economies**

In 1994, **Peru**'s economy again recorded significant growth (11%) which was considerably higher than the 1993 rate of 6.5%, in a context of greater political stability and lower inflation. This partly offset the effects of the severe recession of 1988-1992, when the cumulative decline in GDP amounted to 24%. The new dynamism was attributable to the robust expansion of investment, which continued the recovery begun in previous years. Another major determinant of the increase in the level of activity was the high growth in the physical volume of exports, which accounted for one fourth of the increase in GDP. Meanwhile, unemployment dipped slightly, hovering around 10%, while formal-sector urban employment remained stable, with downturns in manufacturing and commerce and an upturn in services.

The higher level of economic activity was reflected in all branches of production. Agriculture and fishing benefited from good weather conditions. Overall grain production was higher than it had been the preceding year, with especially noteworthy increases in the rice and cotton harvests (over 70%) and in sugar cane (30%). These developments were linked to the financing provided by rural banks, on the one hand, and to the tariff surcharges levied on imported rice, sugar, wheat and maize, on the other. Fishing boomed as well, in the categories of both fish meal and fish for human consumption, enabling the industry to meet growing external demand for tinned and frozen products. This success was facilitated by investments in fishing fleet modernization and in the expansion of processing plants. A determining factor in the increase in frozen products was the participation of foreign ships, which operated under agreements on the extraction of giant squid.

The more stable political and social situation attracted a significant inflow of foreign capital, which stimulated the business sector and benefited the manufacturing, mining and commercial sectors. The recovery of manufacturing, which grew by nearly 13%, extended from the primary products sector to the rest of the industry, with comparable increases in consumer, intermediate and capital goods. Moreover, the inflow of US$ 6 billion in external capital, partly as a result of the privatization of public enterprises, led to higher investment in mining and construction; the latter's brisk expansion (24%) was buoyed by public expenditure on road improvement and projects financed by the National Housing Fund (FONAVI). Although the privatization of public mining enterprises continued as planned, the new investments have not yet shown results in terms of production, except in the case of China's Shougang-HierroPerú enterprise, which extracted 35% more iron ore than in 1993. However, new investments in gold and copper mines and in petroleum have generated expectations of rapid growth in future output.

Trends in **Argentina**'s economy remained strongly expansive in 1994 (6%), thereby prolonging a growth phase whose duration and magnitude are unusual in the country's recent experience. For the first time since 1990, the increase in the physical volume of exports played a major role in boosting GDP, owing in particular to the dynamism of foreign sales of manufactures. At the same time, imports (whose growth had moderated in 1993) picked up speed once again, mainly because of increased purchases of capital goods. Consequently, the trade deficit in goods and services widened further. From the standpoint of domestic demand, investment was again the most dynamic component, markedly surpassing its already rapid expansion of the preceding year; construction continued to grow, and equipment purchases (especially imports) surged. Thus, the capital formation coefficient approached the levels recorded in the early 1980s, before the debt crisis. Aggregate consumption also grew significantly, but proportionally less than GDP, while family expenditure showed signs of levelling off. Automobile sales continued to increase rapidly, but sales of other consumer goods, both durable and non-durable, began to slacken. The fastest-growing sectors in 1994 were construction, mining (especially petroleum extraction) and some services. Agricultural production rose modestly, conforming to its pattern of sluggish growth in recent years. Manufacturing expanded again, though more slowly than total output; within the sector, different branches of production and groups of firms continued to show diverse results.

Nevertheless, this economic boom was not correlated with higher demand for labour. The unemployment rate rose once again in 1994, exceeding 10% for the first time. Between May 1993 and May 1994, total urban employment grew less than the population. Over the same period (and in contrast to the pattern of recent years), the rate of participation in the labour market fell; at the same time, the underemployment index rose. In the four years since May 1990, urban employment has shown no more than a natural increase, while the unemployment coefficient has risen by more than 2%, contrasting sharply with the robust growth in GDP over the period.

Colombia's economic performance was similar to that observed in 1993, as the economy expanded by just over 5%. This growth was marked by a 15% increase in government consumption and a 12% increase in private investment. The latter expanded in spite of a domestic interest-rate hike, as it was bolstered by the wide availability of external credit. The growth of public investment, for its part, plunged to 3% after having reached 19% in 1993, with the result that total investment fell far short of the exceptional increase observed the preceding year. Growth in 1994 was more evenly spread among different sectors than in 1993. The fastest-growing area was once again services –primarily government and financial services, which increased by 13% and 9%, respectively–, followed by mining, with an 8% growth rate. All of the main sectors expanded significantly, again with the exception of coffee growing (-18%) and coffee threshing (-7%). Excluding coffee growing, the agricultural sector performed better than in 1993, expanding by over 5%. Excluding coffee threshing, manufacturing also increased by over 5%; this growth was not so concentrated in a single branch as it had been in 1993 (when it had taken place mainly in the automotive industry). At the beginning of the second half of the year, an interruption was observed in the upward trend which unemployment had displayed since 1993.

The **Brazilian** economy continued the recovery begun in 1993, after three years of recession; the 1994 growth rate of 4.5% was the highest since 1986. Despite the expansion, instability continued in a country which is undergoing economic transition, with marked variations in the course of the year and a good deal of disparity among the different sectors. The increased growth rate was largely attributable to the bigger supply of agricultural products, after the fall of the previous year, and the increased production of consumer durables, especially those produced by the engineering industry. During the first months of the year, production grew rapidly, demonstrating a capacity (notably of the manufacturing sector) to respond rapidly to the pressures of domestic demand. However, the second quarter was characterized by a slow-down brought about by the effect of expectations and the mechanics of adapting to the URV, the new

indexing instrument which went into effect in March, as well as fears associated with the launching of the third stage of the stabilization plan and the introduction of a new currency. This period of uncertainty ended in August, as adaptation to the plan proved less traumatic than expected. A phase of rapid economic growth then began, as in the case of other stabilization plans. The restoration of consumer confidence can be attributed to the greater transparency of the price system with the stabilization of the economy, reinforced by the strong growth in demand for credit. In the light of this new situation, the authorities started to worry that inflation might surge rapidly, thereby endangering the whole process. They therefore introduced a series of measures to mitigate the pressure of demand, including credit restrictions, the extension of reserve requirements to the financial system and the reduction of import tariffs. These measures curbed the economy's tendency to overheat, but the level of activity, particularly that of the manufacturing sector, continued to expand, though growth was limited in some cases owing to the exhaustion of idle capacity.

The manufacturing sector grew by 5%, or half as much as in 1993. This growth was largely due to the favourable performance of the durable goods sector, particularly the motor vehicle industry, which reached record production levels in response to strong domestic demand. Another contributing factor was the fall in domestic prices as a result of the sectoral agreements concluded the previous year, which enabled the private sector and the Government to replace their motor vehicle stock. This growth in demand was facilitated by people's improved levels of income as a result of the end to very high inflation and, in particular, by the increase in consumer credit, most notably in the form of credit card use. In contrast, non-durable consumer goods such as food industry products performed less favourably. The external market also played a role in stimulating the growth of manufactures, though to a lesser degree than in 1993. On the other hand, commodity exports were very robust and contributed significantly to the growth in output.

Brazil's employment situation worsened somewhat in 1994. The open unemployment rate rose from 5.3% in 1993 to 5.5% in 1994, and both the employed and unemployed populations increased. This state of affairs is attributable to an increase in the participation rate, since the economic recovery attracted new entrants into the labour market. Moreover, there was an increase in the level of employment, albeit accompanied by an erosion of security in working conditions, since employment growth was greatest among self-employed workers and those not covered by welfare legislation. Formal-sector employment remained stable, with a fall in the numbers employed in the manufacturing sector and increases in construction, commerce and services.

The level of activity in **Chile** expanded by 4.5%, which was lower than the rates achieved in previous years. This expansion was bolstered principally by exports and by historically high investment ratios. Growth in export volumes was very high, and accounts for most of the increase in GDP. As domestic expenditure increased at a considerably lower average rate than GDP, private consumption bore the brunt of the adjustment that was implemented starting in mid-1993 to counter the high level of spending and problems in the external sector stemming from the dramatic deterioration of export prices, since investment increased at the same rate as GDP, while total public spending grew faster than GDP. Private consumption slowed-down in the first half of the year as a the result of rather high interest rates and increasing unemployment rates, which have been slow to respond to the decline in the growth of expenditure and GDP. Tradables recovered, especially in the fishery and forestry sectors. Mining and manufacturing grew in step with GDP, although mining exhibited an upward trend while the trend in manufacturing was downward; in the latter case, the contractive effects of domestic demand outweighed the expansive impact of external demand. The sectors producing non-tradables continued their slow-down; construction, particularly in the private sector, went into a downturn and commerce grew slowly. Commerce recovered beginning in the third quarter, as a consequence of the recovery in imports of consumer goods.

As the adjustment rested on the reduction of the rate of activity of non-tradables, which are more labour-intensive, it was reflected in a less active labour market. The unemployment rate increased from less than 5% in the final quarter of 1993 to 6.7% in the period from August to October. The rate of job creation, which had been growing at an annualized rate of 6% in the second half of 1993, slowed to 3.5% in the first quarter and fell by another 1% in the third quarter. Lower expectations of finding a job also reduced the high growth of the labour force to a rate of 3.4% in the second quarter and just 0.7% in the third quarter. The adjustment affected labour in terms of quantity rather than price, since a major increase in real wages accompanied the lower rates of job creation and the increase in unemployment despite the significant reduction in the growth of the labour force.

Activity increased markedly in **Uruguay** starting in the second quarter; GDP grew by over 4% during 1994, reflecting increases in both domestic and foreign demand. Fixed investment continued to expand, with increases both in construction and in machinery and equipment, while public and private expenditure rose. The physical volume of exports of goods and services rose considerably, largely on account of greater demand in neighbouring countries: specifically, the increase in the number of tourists from Argentina in the first half of the year and the increase in Brazilian demand in the second half following the implementation of the Real Plan. A substantial part of the growth in overall demand continued to be met through imports, whose physical volume once again increased markedly.

Growth was concentrated in the service sectors, while the production of goods remained stagnant. Construction provided the only positive note in the latter sector's expansion, as agriculture increased only slightly and manufacturing continued to shrink. This sector continued to be strongly affected by the closure of the petroleum-refinery plant, which is being remodeled; production of chemicals, non-metallic minerals and basic metals also declined. In contrast, significant increases were recorded in the production of metal products and machinery and equipment (largely as a consequence of the marked growth of the motor vehicle industry), food production –boosted substantially by the increased activity of cold-storage plants– and the production of tobacco, textiles and clothing, as well as paper and printing. Services recorded significant growth, with the exception of electric power generation, which declined owing to a further drop in Argentine demand. Despite the increased level of activity, the unemployment rate rose to around 10% towards the end of the third quarter of two percentage points above the rate recorded one year earlier. This state of affairs was the result of an increase in the rate of activity combined with a decline in the employment rate. However, the average for the first nine months of the year (9%) only slightly exceeded the rate for the same period of the previous year.

The **Bolivian** economy's 1994 growth rate of about 4% was very similar to that of the previous year. The pattern of overall demand is illustrated by the strong growth of exports of goods and services (29%) and the small increase in domestic demand,

which is attributable to the decline in domestic public investment. General government consumption grew by a modest 2%, while private consumption rose at a rate similar to that of GDP. The sector which contributed most to growth was hydrocarbons, with considerable increases in the production of petroleum and natural gas (13%). The growth of the agricultural sector was similar to that of GDP; the greatest dynamism was in agribusiness production, especially in sectors linked to foreign markets such as soya, cotton and vegetable oil. The slight increase in mining was highlighted by growth in gold and silver production. Manufacturing recorded slightly above-average growth; basic metals, chemicals and petroleum refining all made notable contributions. Construction remained stagnant owing to an absence of public investment projects during the first half of the year, but this trend reversed itself in the second half. The electricity, gas and water sector recorded a very high growth rate (13%) based largely on the increase in electric power generation.

In 1994 Ecuador recorded a slight increase in its growth rate (4%), which contributed to the expansion of per capita GDP. This growth was based primarily on the external sector (especially petroleum exports), but also on domestic consumption and gross fixed capital formation. The latter variable had stagnated the previous year but grew once again in 1994 at a rate higher than the increase in GDP (5.5%). The most buoyant sectors were mining, including petroleum (7%), and construction (6%), together with a number of manufacturing industries and some services. Open urban unemployment fell by about 1%, as a result of the increase in activity and, in particular, the increase in public investment in infrastructure projects.

In **Paraguay** the rate of economic activity declined by 3% in 1994, mainly on account of the meagre contribution of agriculture. Indeed, in spite of the increase in the acreage planted of soya and cotton (the leading exports), the soya harvest languished and the cotton harvest actually declined because of weather problems and disease. Livestock, for its part, showed a moderate increase, while logging expanded more quickly. Manufacturing performed modestly; production of beverages and tannin increased, but meat packing declined because reduction in meat exports brought about by the imposition of quantitative restrictions in one of Paraguay's leading markets. Construction and basic services continued to grow at a good pace.

The **Venezuelan** economy slipped further into recession in 1994; GDP fell by 4%, after the 0.2% fall recorded in 1993. The decline in activity was particularly sharp in the non-petroleum-related private sector (-6.5%), given that the petroleum industry expanded by more than 5%. The unemployment rate had been below 7% at the beginning of the year but had risen to 9% six months later. Private-sector production continued to be severely affected by the situation of economic instability which persisted in the wake of the climate of political and institutional uncertainty pervading the country in 1993.

The picture improved at the beginning of the year when the new Government elected the previous December took office and a plan to strengthen public finances was announced. None the less, 1994 was characterized by a severe financial crisis that affected the banking sector, disturbing the functioning of the production structure and forcing the authorities to adopt a tight monetary policy and to impose price and exchange controls midway through the year. The difficulties in obtaining supplies, particularly imports, as a result of these controls further hindered production. Private investment was particularly affected by this situation, which was reflected in lower sales in the domestic market for a number of industries, such as cement producers and motor vehicle manufacturers. However, the external market provided relief for many industries and, consequently, exports of many manufactures rose. The petroleum sector continued to expand owing to the large proportion of its output that is exported; the petrochemicals industry was in the same situation. The State oil company PDVSA continued its policy of investing in exploration and the expansion of its productive capacity, so as to take full advantage of its export quota set in accordance with OPEC; this quota remained unchanged during the year.

In **Mexico,** where a negative result was recorded in the second half of 1993 and activity was slack in the first quarter of 1994, productive activity has picked up progressively during the year, reaching an average growth rate of 3%. Overall demand grew by nearly 5%, as a result of the dynamism of investment, which expanded by around 10%, and the increase in external demand, while consumption grew by just 2%. The growth rates of the various production sectors were again highly divergent; this was partly a reflection of the greater dynamism both of investment spending in relation to consumer spending and of external demand in relation to domestic demand. Construction increased by more than 7%, boosted somewhat by government spending, with strong upswings in the areas of petroleum and petrochemicals, transport and miscellaneous building beginning in the second quarter. Both the transport, storage and communications sector and the electricity, gas and water sector grew substantially, by around 7%. Mining and commerce, restaurants and hotels experienced slower growth (around 2%), while the agricultural sector grew by a bare 1%.

Manufacturing increased by 3%, recovering from its downturn of 1993, but the results of the different branches were mixed. The improved performance of export firms led to a more than 8% rise in metal products and machinery, after a fall of around 4% in 1993. The basic metals industry grew significantly (10%), after the period of restructuring and scant growth which followed the privatization of State enterprises. The buoyancy of construction gave an impetus to the production of non-metallic minerals, whose output rose by 3.6% with respect to the same period in 1993. The constant adaptations induced by trade liberalization were reflected in considerable slumps in wood, textiles and clothing and, to a lesser extent, printing and publishing and food, beverages and tobacco. According to the target market, capital goods performed better in that production volume increased, after a downturn in 1993. Although the growth of consumer goods was slow, it still contrasted with the fall recorded in 1993. The generation of value added in the inbond assembly export industry grew by 7.5% in real terms between January and August, continuing its robust performance, but this was lower than the 1993 rate of 17% because of the drop in the number of establishments.

The employment situation remained difficult. During the first nine months, open unemployment averaged 3.7%, compared to the 3.5% recorded for the same period in 1993. Manufacturing shed employees at a rate very similar to that of 1993; this trend affected all branches. In the first eight months of the year, employment decreased by 6% in comparison with the same period in 1993. Employment in the *maquiladora* industry, for its part, rose by almost 6%. The commercial establishments in Mexico's largest cities showed mixed trends: in the first nine months of the year, employment in retailing grew by 2.7%, while employment in wholesaling dropped by 3.5%.

The countries which comprise the Central American Common Market (CACM) grew by 3.2% as a whole; this was slightly lower than the 1993 rate, but considerably higher than the average

rate recorded since the crisis of the early 1980s. The expansion was relatively widespread: growth accelerated, sometimes significantly, in all the countries except Honduras, whose economy contracted.

In **Costa Rica**, GDP grew by 4.5%, or slightly less than in 1992-1993. In contrast with previous years, investment rose only slightly, as a result of the credit squeeze, the uncertainty surrounding the transition from one Government to another and the decline in external resources. Manufacturing and construction benefited from the large investments of the recent past. The higher cost of domestic credit, higher inflation and the increasing scarcity of foreign exchange all appear to have curbed private consumption, while public consumption rose more than in previous years. The most buoyant sector was construction (8%), though growth was lower than in the previous year. Manufacturing continued to be dynamic (5%), while agriculture grew by a meagre 2%, partly as a result of the summer's drought. The fastest-growing agricultural activities were sugar, slaughtering of cattle (mostly imported from Nicaragua) and fisheries. Coffee stood to benefit greatly from high international prices, but was unable to take full advantage of the favourable conditions, as nearly 90% of the 1993-1994 harvest had been sold in advance at low prices. Banana production is declining in the face of the quotas imposed by the European Union and lower international prices.

In 1994, **El Salvador**'s economy repeated its performance of the previous year by growing 5%, bolstered by robust investment, especially private investment in machinery and equipment. Public investment also showed an upward trend. The expectations generated by the peace process that followed the signing of the peace agreements in January 1992 created a favourable climate for investment. Despite a slight slow-down with respect to previous periods, productive activity continued to be sustained by the overhaul of infrastructure and services, especially transport, as well as the boom in building shopping centres and housing. Agricultural activity was adversely affected by the lack of rainfall, reflected in a decline in the production of basic grains, while the coffee harvest was 20% below that of the previous cycle as a result of its twice-yearly variations, the reduction in agricultural activity because of depressed prices in previous years and weather conditions. Manufacturing failed to match its 1993 performance, in contrast to the *maquiladora* industry, which continues to make strides, particularly in the textile branch. Meanwhile, the open unemployment rate fell by almost 1% in a context of economic growth. The unemployment rate remained high, though with seasonal variations, in both rural areas and cities. In the case of rural areas, this was due to the stagnation of agricultural production, while the persistence of high unemployment in urban areas appears to reflect significant initial levels of underemployment, in addition to the impact of demobilized soldiers returning to productive life.

In 1994, **Guatemala**'s economy grew by 3.5%, outstripping the high population growth rate, so that per capita income slowly increased for the eighth year running. Consumer spending by both the private and public sectors constituted the most dynamic variable, while the volume of exports fell. Private consumption rose by almost 5% while public spending rose by just over 2%. The factors shaping private consumption patterns included the moderate rise in average real wages and a small increase in employment, together with the copious flow of remittances from abroad. Public consumption rose thanks to transfers to decentralized institutions. Private investment dropped by 1% and public investment increased by 1%, boosted essentially by the activity of municipalities in the interior. The agricultural sector rose at a reduced rate of 2%, similar to that of 1993, on account of the severe downturn in the production of basic grains caused by the drought which affected the main farming areas. Moreover, only modest increases were recorded in the production of leading exports. Thus, coffee and banana production increased by only 1% and that of cardamoms and sugar, by 3%. Manufacturing expanded slowly by 3%, mainly because of increased exports to Central America, the rise in domestic consumption and major *maquila* sales to the United States. Construction experienced a slight increase of 2%, which was closely related to the projects carried out by municipalities and the continuation of a number of residential and commercial projects.

The level of activity in **Honduras** contracted by 1.5% in 1994, after growing by just over 6% in the preceding two years as a result of increased public spending. One factor in this fall was a prolonged drought that reduced agricultural production and a worsening of the shortage of electric power energy generation; this resulted in the need for rationing, which affected manufacturing activity. A further negative factor was the severe cutback in public spending initiated to halt the speed-up in domestic prices, which adversely affected construction. Almost all major sectors experienced slumps. The agricultural sector dropped by almost 3%. Production oriented towards the domestic market was depressed by the prolonged drought, which led to a drop of almost 30% in the production of maize, beans, rice and sorghum. Agricultural production destined for foreign markets showed mixed results. Coffee production received a boost from the marked increase in international prices. On the other hand, banana production dropped as a result of falling international prices and the strike that affected one of the leading banana producers halfway through the year. With respect to the remaining subsectors, livestock-raising recorded advances, while forestry slipped back due to the partial ban imposed to prevent overlogging. Construction, which had expanded at a very high rate in 1992-1993, fell by 17% as public building declined, while manufacturing also declined (2%) as a consequence of energy rationing.

In **Nicaragua** GDP increased by 2.5%; such a figure, which has not been recorded in years, nevertheless implies a reduction in per capita terms. The fact that growth was not greater can be attributed to the drought, which hurt the maize and bean crops well as energy generation, leading to electricity rationing. Strikes in the transport sector also played a role. This moderate recovery was achieved through the intensification of economic reforms, bolstered by the inflow of external resources. Exports rose markedly, but domestic demand remained practically unaltered. Gross fixed capital formation did not change either, as a result of an increase in its government component, which is undergoing a recovery, and a fall in private investment. Government consumption declined by a very small amount, while private consumption rose. The increase in GDP was the result of the increase in agricultural production (5%) and construction and mining, which also recorded above average growth, while manufacturing activity and service sectors turned in very modest performances.

Exportable agricultural products recorded an increase of 12% (with major rises especially in sesame production), while the volume of products for domestic consumption shrank by 8%. Agricultural exports rebounded; this was especially so in the case of coffee, whose value doubled on account of increases in both volumes and prices. Stock-raising continued its upward trend and meat exports continued to be Nicaragua's leading export product. Construction rose by almost 6% and related activities benefited from this rise; for instance, cement production increased by 22%. As regards manufacturing, the

engineering industry and the cigarette industry recorded major increases, while those producing oil, wheat flour, beer, carbonated drinks and cardboard boxes increased slightly. On the other hand, production of cloth, leather and rum decreased. Exports of manufactures, which have been recording very low volumes, rose by 20%, this rise is due mainly to a rise in food exports. Employment levels in the economically active population slipped back. Employment and total payrolls dropped according to contributions to the Nicaraguan Social Security and Welfare Institute (INSSBI). Activity, especially manufacturing, rose markedly in the Las Mercedes free zone, directly generating 4,100 jobs in August, almost three times the figure for the previous August. Employment levels in construction remained the same as the year before.

In 1994 **Panama** maintained for the fourth year running the upward trend observed since the beginning of the decade, although this represented a slight slow-down. Once again, dynamism was provided by sectors such as construction, the banking system and commerce in general and in the Colón free zone in particular. Investment continued to increase at a high rate, though it did slow down as a result of electoral uncertainty and expectations generated by the negotiations conducted prior to Panama's admission to GATT. Construction, which remains largely dependent on construction of luxury buildings, continued to expand at a rate close to 20%, though this was less robust than in previous years. Contributing to this expansion was the increasing demand for construction of low- and medium-cost dwellings, boosted by the availability of mortgage credit. Consumption also appears to have benefited from the growth in domestic credit. Commercial, banking, transport and basic services were all noteworthy activities. Mixed trends were evident in the agricultural sector; thus, output of most traditional products (bananas, coffee and meat) declined, while output of non-traditional products, such as shrimp and fish, increased. Manufacturing output slowed down as a result of the above-mentioned uncertainties, as well as the budget restriction on subsidies which the Government has provided to the sector in recent years. Clothing made to order for export to the United States market dropped by 9%.

The recovery of Latin American economies, in a context of greater trade liberalization, has had a positive effect on activity in the Colón free zone, where total commercial activity has increased by just over 11%. Income from Canal operations also increased as a result of growth in traffic and freight, while the amount of crude petroleum exported via the trans-isthmus oil pipeline fell by 2%. Tourism also experienced major growth (7%). The unemployment rate fell once again, from 12.9% in 1993 to 12% in 1994, as a result of an increase in employment in construction and commerce.

In the Caribbean countries, the level of activity showed a mixed performance in general. Guyana continued to record a high rate of growth, the Dominican Republic saw a slight speed-up of growth and the economies of Barbados and Trinidad and Tobago recovered after several years in which the level of activity fell. On the other hand, Cuba and Haiti continued to be embroiled in deep crises which have translated into considerable drops in gross domestic demand in recent years.

In 1994 the gross domestic product increased by 4% in the **Dominican Republic**, despite an unstable macroeconomic framework. None the less, as a result of the fiscal and monetary measures instituted in September, an economic recovery occurred in the following months. Both the public and private-sector components of gross domestic investment and consumption rose. The slight drop recorded by agriculture is attributable mainly to the drought that has affected the country since the end of 1993, the fall in the areas sown or harvested of a variety of basic crops, as well as the damage to garden produce caused by pests and blight. However, agricultural activities exhibited mixed trends: crop farming fell, but stock raising, forestry and fishing all saw a rise in activity. Mining recorded strong growth (90%), after the collapse of previous years, reflected in greater extraction of nickel, gold and silver.

Manufacturing grew by 3% as a result of increased output in the branches of sugar-cane by-products, alcoholic beverages, tobacco, dairy products and construction materials. Free zones grew once again. At the end of 1994, some 500 firms were already operating in free zones, employing around 170,000 people. This growth was reflected in the fact that exports from free zones grew more quickly than did traditional ones. Construction continued to be notable for its dynamism (6%), which essentially took the form of expanded public works. As regards services, electricity generation increased and expanded communications services resulting from improvements in telephony, combined with increased tourist flows, led to a rise in hotel, bar and restaurant services.

In **Haiti** gross domestic product again contracted sharply (-10%) in 1993, resulting in a further severe drop in per capita output (-12%). This is a reflection of the grave institutional crisis affecting Haiti for the last three years, which has resulted in the suspension of foreign economic assistance and the imposition of a trade embargo. The normalization process began only in November, which means that it is still not possible to measure its impact on the Haitian economy. Output of a number of agricultural products increased in 1994, prompting many farmers to switch from producing coffee –which was affected by low prices at the beginning of the year as well as the high cost of fertilizers– to production of crops for the domestic market, as prices for these rose markedly.

However, most other activities contracted, as the situation deteriorated with the intensification of the embargo in May. The output of export-assembly industries had fallen in the first part of the year to some 60% of the 1991 level; subsequently the fall intensified leading to the virtual disappearance of the sector. The number of people employed in this sector fell from 44,000 in September 1991 to 8,000 in May 1994, and of the 252 firms in operation in 1990, only 44 remained in business. Industries which concentrated on the domestic market also performed poorly, given that, except in a few cases, they had to suspend production. In addition, plant and equipment suffered through lack of maintenance and scarcity of spare parts. Construction stagnated as a result of the low level of public investment and the large rise in the cost of cement.

After the severe contraction of output recorded between 1991 and 1993, it appears that the **Cuban** economy has sunk to its lowest point in 1994, and is now languishing at that low level; in point of fact, GDP posted zero growth. In the midst of those difficulties, huge changes have occurred in reaction to new world circumstances; these have included reducing the involvement of the State, liberalization of the market for agricultural products and increased openness to foreign investment and tourism –all of which call for resourcefulness on the part of economic agents. The stagnation of output is the result of two opposing trends: on the one hand, tourism, mining and construction and non-sugar manufactures have recorded growth; on the other, falls have been recorded in the sugar-cane harvest and in agriculture, while social services have remained stable. One salient fact in the current economic situation is that

tourism has displaced the sugar industry from its traditional role as the leading source of foreign exchange.

Aggregate supply grew slightly as a result of the stagnation in output and moderate growth in imports. Domestic demand dropped as did exports of goods, while sales abroad of services continued their marked dynamism; in this regard, tourism deserves special mention. Consumption expenditure by the private sector and the Government again dropped. The agricultural sector recorded a drop for the second year in a row as a result of the drop in crop farming (sugar cane and other crops), although stock raising and poultry breeding increased somewhat. The scarcity of inputs, adverse weather conditions and the lack of incentives for the labour force all had a negative impact on land development, planting, tending crops and harvesting. The sugar-cane industry continued the downward trend of the 1990s, and the problems in industries not related to sugar-cane production led to increased running-down of food supplies for the population.

Mining expanded for the third year in a run owing to the increasing inflow of foreign investments; this led to an increase in extraction of petroleum, gas, copper and zeolite, but nickel production fell by around 10%. Manufacturing recovered slightly, despite the fact that part of the installed capacity continued to suffer from shortages of fuel, raw materials, spare parts and other imported inputs. The sugar industry, which is relatively important in the sector, declined. Construction expanded as a result of the execution of projects related to tourism, agriculture and foreign investment. Following the collapse of the energy sector in the previous four years, 1994 was characterized by a recovery due to an increase in both the volume of imported petroleum and petroleum products and in domestic extraction of hydrocarbons. This may have had a bearing on the increase in electricity generation.

The performance of the countries comprising the **Caribbean Community** (CARICOM) was generally better than in the previous year, owing notably to the expansion of tourism and sugar production. Guyana again recorded significant growth, while Barbados and Trinidad and Tobago recovered from their meagre previous results. By contrast, Jamaica and the countries comprising the Organization of Eastern Caribbean States (OECS) recorded a slow-down in growth and in the Netherlands Antilles output contracted slightly.

Guyana managed to maintain the robust performance of previous years, despite the reduced levels of bauxite and rice production. In particular, gold production continued to expand rapidly. In Barbados the level of activity increased by 4%, after a four-year decline; this growth was boosted by the resurgence in the tourism sector and the recovery in sugar production, which had exhibited a negative trend over the course of several years. This growth has made it possible to reduce high unemployment rates to some extent. In Trinidad and Tobago, output grew by 4%, thus reversing the downward trend observed since 1983; this trend had been characterized by positive variations only in 1990 and 1991, in each of these cases of a magnitude of less than 2%. The recovery was due in essence to the petroleum sector, which grew by more than 10%. Non-petroleum sectors also recorded growth, though of a moderate nature; the activities which expanded the most were sugar and construction. This growth led to a slight drop in unemployment to around 20%. Jamaica's output again grew by a small amount (1%). Trends in tourism and banana production were largely unsatisfactory, but the expansion of alumina exports and sugar production served to partially offset this. The OECS countries recorded only moderate growth, even lower than in the previous year. The robust performance of the tourism industry served to offset the negative trend experienced by productive sectors, and in particular the banana industry which fell by 17%.

3. MACROECONOMIC POLICY AND INFLATION

a) Main characteristics of the region

Controlling inflation remained the principal objective of most of the macroeconomic policies of the countries of Latin America and the Caribbean. During 1994, Brazil, with the biggest economy in the region, joined those countries with a stabilization programme. The downward trend in inflation thus became widespread; 17 of the 22 countries studied reduced their inflation, kept the same rate, or saw only slight increases, and only five of them (Costa Rica, Dominican Republic, Haiti, Honduras and Venezuela) showed significant rises.

The strategies remained the same: fiscal austerity, prudent monetary policies and further trade liberalization, particularly through regional agreements to eliminate tariffs among trading partners. Exchange rate trends played a key role in consumer price variations in most of the countries of the region, by supporting anti-inflationary efforts in situations of voluminous supplies of foreign currency or by pushing prices upwards in situations where weak external sectors quickened the pace of devaluation.

The international scenario had diverse effects. On the one hand, the robust recovery of the developed economies raised commodities prices and increased demand for regional products, which led to an increase in overall demand. External capital continued to flow into the region steadily, despite certain disturbances during the first half of the year (Mexico, Venezuela); this inflow helped to finance the rise in domestic demand and to moderate the upswing in the exchange rate. On the other hand, the rises in United States interest rates, along with directly affecting debt service, helped to keep domestic rates high, particularly in those countries that have to finance considerable deficits on their current account. This began to affect servicing of the public debt and prompted enterprises to seek resources for financing their capital formation by selling stock and securities on the international market.

Fiscal policy in virtually all the countries of the region sought to balance public accounts. Progress in fiscal reform, more realistic prices in public enterprises, perseverance in efforts to control tax evasion, and resources from privatizations continued to increase real revenues. Expenditures, in turn, remained low, especially for investment, which, although it helped achieve fiscal balance, also caused some uncertainty about being able to maintain the fiscal policy in question.

In 1994, a number of countries kept their fiscal balances within an acceptable framework, thus avoiding pressure on domestic credit; such was the case in Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Peru and Uruguay. Other countries with serious fiscal imbalances were able to finance them without recourse to domestic credit, since external resources covered practically the whole deficit, for example, Bolivia and Nicaragua. Costa Rica, Haiti, the Dominican Republic and Venezuela, on the other hand, saw their fiscal deficits increase and financed them by expanding the money supply, thus pushing inflation upwards. In Costa Rica and

Venezuela, bank failures (a government bank in Costa Rica and a number of failures in Venezuela) resulted in huge para-fiscal deficits that had a considerable impact on the money supply, especially in Venezuela. The critical situation of the public sector in Haiti led the Government to finance most of the fiscal deficit by printing money. Even though Honduras received a good deal of external financing, the Government used bank credit to balance its accounts.

Monetary policy, then, except in a few cases, was helped by fiscal management and also by the rise in demand for money in a context of expectations of declining inflation. Thus, the challenge of keeping monetary expansion at a level compatible with growth and inflation targets remained linked with the flow of external capital. Domestic interest rates had to struggle with the conflict between competitiveness, monetary targets and financing the deficit on the external current account, with varying results. In most cases, as in previous years, priority was given to price stabilization, which led local currencies to appreciate again.

Generally speaking, changes in relative prices continued to favour non-tradables. The resulting real appreciation of the currency observed in most of the countries of the region, helped to a large extent to moderate consumer price rises. Since that affects external competitiveness in a context of trade liberalization, many countries carried out sweeping measures to enhance productivity, with some impact on employment. The rise in international commodities prices, in a year in which the dollar depreciated notably in relation to the mark and the yen, also helped competitiveness. The exchange rate had the opposite impact on domestic prices in Honduras and Venezuela, countries in which higher devaluation pushed up the real exchange rate, with significant impact on inflation.

The sustained advance in integration processes, which entail more sweeping tariff reductions than those adopted in general trade liberalization programmes, also contributed to a slow-down in domestic prices. The increase in trade relations between groups of countries should in the near future create pressure to coordinate macroeconomic policies, which in turn should help to consolidate the progress achieved during the early part of this decade.

While the modernization of the production apparatus, with the corresponding rise in labour productivity, led in several countries to a reduction in formal-sector employment, it apparently contributed to a concomitant rise in real wages. Thus, Argentina, Brazil, Chile, Peru and Uruguay show rises in average real wages, with little dynamism in the generation of employment.

The minimum wage, in turn, during the 1980s was frequently determined in relation to fiscal or stabilization objectives. The result was a considerable decline in real terms and a notable reduction in the coverage of the employed population whose income depends on the legal minimum. In 1994, in contrast, several countries that had recorded sharp declines considerably increased the minimum wage (Argentina, Ecuador, Peru), although still without recovering pre-crisis levels. In other countries, such as Mexico, Paraguay and Uruguay, minimum wages in real terms remained the same or fell once again.

b) National economies

The region's average inflation rate, excluding Brazil, fell to 16%. If the annualized rate recorded in Brazil during the Real Plan is included, the regional average is around 30%. Such levels had not been recorded since the early 1970s.

In 1994, eight countries (Argentina, Barbados, Bolivia, Chile, El Salvador, Mexico, Panama and Trinidad and Tobago) had single-digit inflation. Another nine countries (Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Peru) had moderate annual rates, between 10% and 28%. Jamaica, with a 33% annual rate, could almost be included in this group. Thus, only four countries showed high annual inflation rates, above 40%: Haiti, with serious political, social and macroeconomic disequilibria, and Brazil, Uruguay and Venezuela (see table A. 5).

Twelve countries (Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Mexico, Nicaragua, Paraguay, Peru, Trinidad and Tobago and Uruguay) made progress in their stabilization programmes. Brazil and Peru stand out among them for the scope of their reductions, along with those countries that achieved inflation rates close to those of developed countries. Colombia and Guatemala could be added here for their stable moderate rates. Barbados and Panama showed some instability in their small price hikes. As already mentioned, few economies lost ground in their fight against inflation.

i) ***Countries with single-digit inflation.*** **Argentina's** inflation rate fell once again, bringing the variation in the consumer price index to less than 4% for the year. This was achieved in a context in which aggregate consumption grew considerably, but proportionally less than output, and the external current account once again showed a huge deficit. The low readings on the inflation indexes were accompanied by a slow-down in relative prices and, in more general terms, by a consolidation of behaviour adapted to stability. During the first nine months of the year, the prices for the goods included in the consumer basket rose only slightly (a cumulative 1.4%), with nominal declines for fresh foods and (again) clothing. Prices for services rose more slowly than they did during the same period in 1993, but still more than the overall level. For the first time in several years, the wholesale price index (WPI) rose more rapidly during the first three quarters of 1994 than the consumer price index (CPI) (3.4% as opposed to 2.9%), although such was not the case for industrial goods of domestic origin recorded in the WPI. With respect to average wages, available information about the industrial sector indicates that wages more or less kept up with consumer prices, which produced a slight increase in real wages.

Public sector performance continued to support the stabilization programme. The national public sector controlled its revenues and outlays in such a way in 1994 that it produced a primary surplus, which was considerable in the first half of the year (more than covering interest payments) but negligible during the third quarter. For the year as a whole the primary surplus will be less than that of the previous year. Taking interest payments into account, the balance should show a small deficit, covered (easily) with resources from privatizations. The main objective of fiscal policy continued to be to sustain the balance between revenues and expenditures. Although there was no significant change in this trend, some deviations were observed towards the end of the year (especially in the social security system), which led to a reformulation of the 1994 budget and to some changes in the method for calculating certain retirement benefits.

A comparison of the cumulative values for 1994 with those of 1993 shows that the Government's revenue as well as its outlays rose. Among the outlays, social security payments continued to rise, along with those for personnel and transfers to provinces under the tax sharing plan. The value added tax (VAT) was still the largest source of tax revenues, and during the

first nine months of the year, the amount grew in real terms with respect to the values of last year, although collection began to decline in the middle of 1994 (especially in net amounts after payment of the refunds on exports). Taxes collected on profits increased considerably (by close to 40% on the cumulative total for the first nine months). In the first part of the year, contributions to the social security system surpassed, in real terms, those of 1993, despite reductions in rates for certain sectors and regions. From the middle of the period onwards, the transfer of participating worker contributions to private pension funds began to be felt.

The new retirement system began to function in July, composed (for purposes of contributions and the determination of future beneficiaries) of a public segment and another of individual capitalization. The transition gave rise to intense discussions. As a result, a two-year period was established during which time the workers inscribed in the individual capitalization system maintain the option of returning to the apportionment system. The reform of the retirement system means that resources previously paid to the Government now are paid into privately administered pension funds, although it also opened up a new source of demand for public and private securities. Throughout 1994, the volume of government bonds in circulation increased, partly owing to the handling of pre-existent liabilities, through the issue of consolidation bonds to retirees and suppliers. On the other hand, the authorities sold bonds on different foreign markets and began to sell short-term treasury bills. The Government also negotiated a credit for US$ 500 million with a group of foreign banks. This "voluntary" credit was the first of its kind since the 1982 debt crisis.

Monetary aggregates showed no significant variations. The Central Bank intervened in the exchange market by selling foreign currency in several different months and buying it in others. The net result towards the end of October was a slight contraction in the money supply. The variation of this aggregate was more influenced than it was the year before by public securities operations (in connection with actions to regulate liquidity, but apparently also, in the second half of the year, with financing for the social security system). The media of payment seem to have decreased slightly during the first nine months of the year, which reflected not new expectations of inflation but rather a ceiling on the remonetization process. The amount of time deposits in national currency grew in real terms, but much more slowly than in 1993, while foreign currency deposits continued to increase.

Until February the financial markets operated with characteristics similar to those at the end of 1993, that is, with low interest rates and rising prices for stock. Movements in United States markets that month were reflected in stock and bond prices. The adjustment in prices was greater than what was implied by the rise in international interest rates. In other words, the "country risk" indexes rose. This did not, however, cause much disturbance. For example, the stock price index for September, although 13% lower than that of February, was 27% above that of the same period a year before. Similarly, the rise in short-term interest rates was quite moderate.

Inflation remained low in **Bolivia**, dropping slightly to almost 9%, the lowest increase in prices since 1977. At the beginning of the year, the authorities hoped to reduce inflation to a little more than 7% per annum, a goal which seem feasible during the third quarter. However, the rise in prices for some foods, partially due to scarce supply caused by a drought and partially due to increased demand from Brazil and Peru for beef, prevented this goal from being reached towards the end of the year.

As in previous years, strict fiscal and monetary policies were implemented. The slow rise in the price of the dollar also helped the anti-inflation programme. Indeed, the fiscal deficit was reduced considerably during the first three quarters, from more than 6% of output to around 4%. The increase in revenues (20%) was a prime factor in this behaviour, since expenditures expanded at only half that rate. A good part of this upswing in revenues was due to taxes on domestic income, which raised its share of GDP to almost 11%. The contribution of capital income also was considerable, increasing its share to almost 1% of GDP. The austerity policy led to a lower expenditure burden, particularly expenditures for the purchase of goods and services and capital outlays. Payments for personal services, in contrast, rose in real terms. Since external financing produced resources greater than the fiscal imbalance, domestic debt diminished. On the other hand, progress was made in the programme to capitalize public enterprises, which will begin with the sale of the National Electricity Company, which will be divided into four separate entities.

Monetary expansion was pegged to the rise in nominal demand. Thus, money increased at a rate of 13% per annum during the first nine months of the year. The fluid supply of foreign exchange, in turn, was determinant in the nominal exchange rate rising by only 4% during the first half of the year and stabilizing thereafter. In any case, the national currency depreciated with respect to a basket of currencies of the country's main trading partners, taking into account the revaluations in Brazil, Chile and Peru.

Inflation in **Chile** fell to less than 9%, the lowest rate since 1960. After two and a half years at a plateau of around 12% per annum, the rise in consumer prices slowed sharply in August when it fell to the floor of the target band for inflation. Inflation for non-tradables dropped sharply, with a slow-down of eight percentage points between January and October.

The year 1994 was characterized by the continuation of a decisive adjustment effort, designed to reduce the inflation rate and adapt the rate of expansion of expenditures to growth in productive capacity and an initial estimate of adverse external trade accounts. At the beginning of the year it seemed inevitable that the deceleration in expenditures would have to be maintained, given the unfavourable prospects in the external sector. Estimates at that time predicted an average price for copper of US$ 0.85, a trade deficit of close to US$ 1 billion and a current account deficit of US$ 2.4 billion, more than 5% of GDP. An international recovery more robust than expected had a positive effect on prices and export volumes, leading to higher estimates of growth and lowering those for the trade and current account deficits. The improvement in the trade balance was added to the persistent process of foreign investment, which increased sharply by more than 60% over the 1993 level, which was already at 6% of GDP.

Fiscal data for the first half of the year showed a decline of close to 1% in current income, under the impact of a sharp drop in net copper income. Net tax revenues in local currency had increased by only 2%, owing to the slow-down in economic activity and to tax reductions agreed to at the end of 1993 that went into effect during this year. The upswing in the price of copper during the second half of the year changed this panorama. It is estimated that for the year, current expenditures will grow at almost the same rate as output (4%). Thus, current saving should be somewhat below 3% of GDP and the final balance of the public sector should show a surplus of more than 1% of GDP.

On the basis of the downward trend in inflation, the containment of expenditures and favourable prospects in the external sector, the relevant authority, in mid-November, pronounced the adjustment process concluded and lowered the short-term interest rate on the Central Bank's readjustable papers to 6.1% (after it had remained unchanged for almost two years at 6.5%). Along with this measure, the monetary authority liberalized the limits and regulations for investments outside the country by institutional investors (private pension funds, life and general insurance companies and mutual funds). The long-term interest rate had already been lowered at the beginning of the year, so that the adjustment would not affect the high investment rate. The reduction in short-term interest rates and the rise in external rates have been reducing the spread for interest rate arbitrage, which in any case made it necessary to maintain reserve requirements at 30% for short-term external credit.

The gradual and persistent revaluation of the peso dominated the monetary and exchange scenario. At the beginning of the second half of the year, monetary creation based on exchange operations began to expand considerably, surpassing estimates for inflation and growth. Annualized increments of private money increased from 14% to 21% during October. That was due in part to a decline in the expected cost of maintaining money, given the expectation of lower inflation, but more basically to exchange operations that oblige the authority to sustain the floatation band for the exchange rate.

In September, the real exchange rate showed a decline of 5.5% over 12 months. During November it was clear that the market was upping its bet on revaluation, since the dollar was stuck on the floor of the floatation band. Exchange policy was changed at the end of November, lowering by 10% the reference dollar, from which the exchange rate is allowed to float by 10% in either direction. Thus what was once the floor became the middle of the band. In the days following the adoption of this measure the market price of the dollar dropped by 4%.

The Central Bank also lowered from 50% to 45% the weight of the dollar in the basket of currencies, increased that of the yen from 20% to 25% and kept the mark at 30%. In addition, the Bank took measures to increase net demand for foreign currency, making it obligatory for reserve requirements on external credit to be held only in dollars, removing the upper limit on the exchange positions held by banks, raising the upper limit on repatriated proceeds from exports that have to be liquidated on the formal exchange market, and extending the maximum period for carrying out that operation from 210 to 270 days.

Nominal wages increased by 18%, which meant close to a 5% rise in real wages, higher than the estimated rise in productivity.

Inflation was also around 9% in **El Salvador**, in a context of active growth of output and improving external accounts. This performance was aided by favourable expectations produced by the pacification process. The elections of March and April, which affected the rate of public and private economic activity only temporarily, led to a new Government in June.

Fiscal performance surpassed expectations, since the central Government's deficit was reduced to 1.6% of GDP, almost half that of the previous year. The fiscal improvement came from higher revenues and lower expenditures than programmed. A more efficient tax administration, efforts to control evasion, an increase in the number of major taxpayers, and the sale of some assets (a duty-free area and shares of INCAFE) made it possible to raise fiscal revenues to nearly 10% of GDP. The slow rate of capital expenditures, in contrast, was much lower than expected, which was a contributing factor in the fiscal deficit contracting even in nominal terms, even though current expenditures grew more than expected. This growth in current expenditures was partly due to outlays connected with the peace agreement: hiring of personnel for the national civilian police force, the Office of the National Counsel for the Defence of Human Rights, and indemnities paid to demobilized police and military personnel. Several public enterprises produced earnings, owing in part to corrections in prices for public goods and services. In August, the Legislative Assembly passed a law to privatize sugar mills and alcohol plants, as the first step towards selling them in 1995.

The flow of private capital continued in a context of attractive interest rates and increased investment. Despite the significant inflow of foreign currency, the level of liquidity of the economy was controlled (money increased by 12% in the 12-month period ending in November) by extending legal reserve requirements to loans in foreign currency and the sale of monetary stabilization certificates. At the end of the third quarter, the amount of stabilization bonds represented 13% of the broad money aggregate. Since August, 2% of the assets of financial institutions are kept in these certificates. In November, the central Government issued treasury bills (LETES) for the first time in order to increase its available short-term resources. Despite that, the interest rate tended to decline, although the rate on deposits still offers positive yields in real terms. Central-Bank and credit-granting functions were separated in July. Credit operations were transferred to the Multisectoral Investment Bank, which took over the Central Bank's portfolio.

Wages of public employees were raised by 10% at the beginning of the second half of the year, and the minimum wage was raised by 13%.

Mexico continued to pursue the objective of reducing inflation to rates near those of its partners in the North American Free Trade Agreement (NAFTA). The rise of less than 7% in the 12-month period ending in November was thus the lowest inflation in more than 20 years. As in the previous five years, prices for tradable goods rose more slowly than those for non-tradables.

Despite the instability in the domestic financial markets, pressures on the exchange and monetary markets, and a loss of nearly a third of its international reserves, the economy managed to sustain a moderate reactivation and continued to lower the inflation rate, even though the trade deficit increased significantly. Political events that affected the country (among them, the armed struggle in Chiapas, the election, and the assassination of two high-level political figures) tended to stem the flow of capital from abroad, mainly to the stock and money markets, which affected the so-called "country risk". In view of these circumstances, decisive monetary and exchange rate policies were implemented in order to lessen the negative impact on the flow of external resources and on the stability of the local financial markets. The intense participation of the Banco de México in open-market operations, the more vigorous use of exchange policy, and the contingent support of the treasuries of the United States and Canada (through a **swaps** scheme for several billion dollars) offset the decline in international reserves. Another factor that dampened the destabilizing effects was the continuity of the social pact, when the commitment was ratified to reduce inflation, keep public finances balanced, and especially to maintain the floatation scheme for the exchange rate. In this context, the price index and prices for shares on the Mexican stock market tended to decline, the nominal exchange rate depreciated by 11%, the cost of credit rose by several percentage points, and the

problem of overdue loans in commercial banks continued to worsen.

The achievements of the anti-inflation policy were based on the strict management of public finances and on the prolongation of the Stabilization and Economic Growth Pact signed in October 1993 and ratified in March 1994. The ratified version of the pact set goals of 5% inflation for 1994, a balanced fiscal budget, a moderate rise in nominal wages, and the maintenance of a floatation scheme for the exchange rate of the peso with the dollar within a gradually widening band.

On 24 September 1994, the intersectoral pact was renewed under the name Well-being, Stability and Growth Pact, ratified on 20 November and in effect till 31 December 1995. For 1995, the pact set goals of a December-December inflation rate of 4%, economic growth at 4%, double the demographic growth rate, and balanced public finances. It was also agreed to maintain the four ten-thousandths of a new peso variation per day in the maximum price of the dollar, limit price hikes for electricity and gasoline to 4% a year in 1995, increase by 25% public investment in infrastructure projects and establish a fund for private investment, reduce by 0.2% the tax on assets to 1.8%, and raise the nominal minimum wage by 4% from January 1995 onwards, along with an additional compensation tied to labour productivity.

Fiscal management continued to give priority to financial equilibrium. Up to the third quarter, the public sector showed a positive balance equivalent to 0.4% of GDP. The budget is expected to be balanced for the year as a whole, with a surplus in public agencies and enterprises and a deficit in the Federal Government. The Federal Government spent 13% more in real terms than during the first nine months of 1993. Current expenditures increased by 18% owing to rises in personal services and the acquisition of materials and supplies. The physical investment of the federation was 58% higher than in the same period in 1993, mainly for communications and transport and the National Solidarity Programme. Transfers also increased to different federations and rural producers through the PROCAMPO programme.

Real tax revenues expanded by 4%, despite various fiscal sacrifices adopted at the end of 1993 and the decline in the average international oil price for 1994. Taxes rose by 6%, owing to increased collections of VAT, special taxes on production and services and on the use of vehicles. Income tax revenues climbed only slightly, owing to a reduction in the rate for individuals and legal entities from 35% to 34%, an increase in fiscal credit to low income earners, and the reduction from 15% to 4.9% of the withholding rate on interest paid abroad. NAFTA entering into effect meant a drop (-8%) in duty on imports. Taxes on the purchase of new vehicles also declined.

As mentioned above, public agencies and bodies produced a positive financial balance, 4% above that for the same period the year before, especially because of the positive operational balances of the Mexican Social Security Institute and the Federal Electricity Company. The expenditures of these institutions as a whole increased by 3%, especially fixed investment, mostly by PEMEX and the Federal Electricity Company.

The Government's short- and long-term debt increased by US$ 6.4 billion during the first nine months of the year over the debt at the end of 1993, reaching a total of US$ 85 billion. Because of variations in the exchange rate with other currencies and the dollar, Mexico's total debt was revaluated by US$ 2,838 million between January and September. The domestic debt was 122 billion new pesos, slightly less in nominal terms than that of December 1993.

The Banco de México, autonomous since April, maintained a moderate monetary policy. It had to face, however, the instability of the international financial markets and the rise in United States interest rates, and on the other hand, increased uncertainty that tended to raise the so-called "country risk". Thus, interest rates began to rise from March onwards, ending their decline since the end of the 1992. The annualized nominal yield on 28-day treasury certificates (CETES), which had fallen to single-digit figures during the first quarter, averaged more than 15% during the second and third quarters. The interbank rate practically doubled during this time, going from a nominal average of 11% in the January through March period to 19% in the July through September period. The moderate downswing of both rates in August and September was reversed in the second half of November, reaching 14% and 22%, respectively. This trend, together with the drop in inflation, led to a rise of several points in real interest rates. Thus, for example, the rate on the 28-day treasury certificate went from an annualized average of 3% in the first quarter to 11% in the second and 9% in the third. The wide intermediation spreads characteristic of Mexican banks suggest that rates on loans also rose considerably.

The exchange rate continued to float during 1994 within a band whose ceiling was raised by 4 ten-thousandths of a new peso every day (a variation of approximately 4.6% a year). Given this context, the market price of the dollar rose from March onwards, which, although with some fluctuations, put it near the ceiling of the floatation band. Thus, by the end of November the nominal depreciation of the interbank exchange rate was almost 11% in relation to its level in December 1993, which represents the first real devaluation of the local currency in seven years.

During the first nine months, financial saving measured by the broadest aggregate, M4 –excluding bills and coins– increased at a rate of 14% per annum, despite the decrease in the value of government securities held by the private sector. The private sector reoriented its portfolio towards TESOBONOS (the only government securities denominated in dollars and with the Government obliged to liquidate at the free market rate at maturity). In September 1994, these papers already comprised 33% of all government securities in circulation, as opposed to less than 2% the year before. It is noteworthy that in the second quarter, their nominal yields almost doubled to between 7% and 8%, rates that were maintained in November, although with some fluctuations. Preliminary information indicates that some three-fourths of the TESOBONOS are held by non-residents.

In September, the aggregate of bills and coins showed an average real increase of 13%, as opposed to no rise the year before. During this time, the monetary base grew at a similar rate. This behaviour is explained by the enormous jump in credit granted by the Central Bank to financial intermediaries, basically commercial banks and official trust funds, since both international assets and net financing for the public sector contracted.

Financing by commercial banks grew at a real average of 18% in relation to the first nine months of 1993. Preliminary information shows that, on the average, in September overdue loans represented almost 10% of total loans made by commercial banks, as opposed to less than 9% in the same month in 1993. This caused the commercial banks' average profits during the first nine months of the year to plummet by 24% in relation to their level 12 months previously. Lastly, it is

noteworthy that the performance of the domestic financial sector was also affected in 1994 by the intervention of the monetary authorities in order to correct improper operations in two large institutions (Banco Unión and Financiera Havre).

The Mexican stock market fluctuated wildly. In March, the price index ended the strong upswing in effect from the previous year and entered a stage of intense fluctuations, reaching at the end of November a level around 11% below the highs obtained in February and 2% below its level at the beginning of the year. Thus, in dollar terms, in those 11 months the market declined by approximately 8%.

The particular characteristics of **Panama** have the effect of producing extremely low inflation rates, to the point that it was less than 2% in 1994.

Fiscal policy had two different periods, owing to the change of Government during the year. During the first half of the year, the outgoing Government tried to terminate the renegotiation of the arrears on the external public debt with international financial institutions, which entailed renegotiating unpaid interest for a total of US$ 465 million. To that end, US$ 420 million were placed in new instruments at eight years, US$ 410 million of which were in dollars and the remaining US$ 10 million in yen. This operation regularized the arrears in servicing the external debt from official sources; the rest of the debt remains to be renegotiated.

Up till the change of Government in early September, tax collections were running above what was programmed for that date. The privatization programme, however, was behind schedule. Therefore, there was a lack of resources to finance current expenditures. Indeed, the sale of the State telecommunications company was not completed, and other public assets, such as some installations in the duty-free area of Colon, had not been sold. The new Government did an about-face in this latter project, although the privatization programme will continue, including probably in the next few months the State-owned Institute of Water Resources and Electrification (IRHE). In an attempt to end the year without a deficit, the new administration suspended investment programmes, payments to service the public debt, and any kind of outlay other than current expenditures.

The rise in deposits in the international banks indicates that external investors have recovered their confidence in the country as a financial centre.

Except for Jamaica, inflation remained low in the **English-speaking countries of the Caribbean**, with economies largely open to the exterior. In some of these countries, variations in the price of the dollar, under flexible exchange rate systems, greatly influenced the inflation rate. Thus, in **Guyana** the rise in the exchange rate was decisive for slowing prices down to 6%. In **Trinidad and Tobago**, in contrast, the appreciation of the local currency was a major factor in keeping inflation down to slightly above 6% in 1994. Lastly, prices remained stable in **Barbados**, an economy with a fixed exchange rate.

ii) ***Other countries with moderate inflation. Columbia's*** inflation proved resistant to efforts to reduce it. Despite the fact that the Government's goal was to achieve a rate of 19% by the end of the year, consumer prices rose at a rate similar to the year before, around 23%. The producer price index rose more than in 1993, reaching 20% per annum up until October, as a consequence of the rise in prices for raw materials on international markets.

Changes in prices were especially affected by the acceleration recorded during the first four months of the year, when the economy was still under strong pressure from demand in a context of broad expansion (around 50% a year) of bank credit. That led the Banco de la República to impose in March a monthly limit of 2.2% (30% annually) on the expansion of bank portfolios, a measure that was in effect till the end of July, but which did not fully achieve the desired effect. The monetary containment policy had to be based on limiting increases in the money supply, which was done through open-market operations, despite the fact that the growth in the media of payment (34% per annum at the end of November) was higher than the maximum set by the monetary authorities. This made it possible to considerably reduce the inflation rate, since from June onwards the monthly rise in the consumer price index was on the order of 1%. Although food prices rose the most during the early months of the year, they slowed thereafter and for the year as a whole, the highest rises were for professional health services and medicine, training and education, hotels and rents.

The imbalance between demand and the supply of money pushed interest rates upwards, with rates on deposits reaching between 11% and 13% in real terms. In this context, savings and time deposits grew by 42% at the end of the year (as opposed to 31% for checking accounts), and the broad money supply (M2) by around 40%. The rise in interest rates stimulated an inflow of foreign capital. The rate on loans, in particular, induced private agents to fulfill their credit needs through external indebtedness, which grew considerably, going from US$ 5.2 billion in 1993 to more than US$ 8 billion this year. The Banco de la República (which in January replaced the previous system of exchange certificates established to postpone the monetization of foreign currency with a mechanism of intervention bands) allowed the exchange rate to fluctuate during the year, with a slight nominal depreciation of 4% per annum up until December. This depreciation represented an appreciation of the peso in real terms, which in turn helped keep prices down.

The public-sector accounts were once again balanced at the end of the year, since greater expenditures were offset by a rise in income equivalent to more than 2% of GDP. Faced with the problem of breaking through the economy's inflationary inertia, the new Government that took office in August tried to promote a social pact between enterprises and trade unions, in order to end inflationary expectations, de-index contracts and thereby reduce inflation, along with enhancing productivity.

Inflation flared up again in **Costa Rica** in 1994. The rise of more than 17% in consumer prices in the 12 months ending in November virtually doubled that recorded the year before (9%), which meant that the 1992 level was regained. The main factors behind that behaviour were the considerable expansion of liquidity arising from servicing the domestic debt, the increase in the fiscal deficit, and operations connected with the failure of one of the main official banks of the country. Another factor was the recovery of several prices (basic consumer products and public rates) which were controlled during 1993, an election year.

The fiscal situation deteriorated tremendously. The fiscal deficit of the central Government rose from almost 2% of GDP in 1993 to nearly 4.6% in 1994. If the losses of the Banco Anglo Costarricense, a large State institution that technically failed, are taken into account, the overall deficit would be more than 7% of GDP. The increase in the financial imbalance was caused by a sharp rise in expenditures (18% in real terms); revenues, in turn, rose only slightly in constant terms. Besides the

reduction in tariffs and imports, a large part of the decline in real revenues (-6%) can be attributed to foreign trade. Income tax, which had increased spectacularly in 1993 because of legal provisions that eliminated exemptions and extended coverage, also decelerated. Lastly, revenues were also affected by the reduction of sales tax from 11% to 10%.

The main cause, however, of the deterioration of fiscal accounts was the expansion of current expenditures. A key element of that expansion was the increase of almost 80% in servicing the domestic debt, which has risen significantly in 1994; the net sale of bonds more than doubled in the biennium. Increases in wages and pensions also affected expenditures. The Legislative Assembly's delay in adopting Structural Adjustment Programme III, financed mainly by the World Bank, reduced the entrance of long-term capital. Thus, the growing fiscal deficit was financed almost completely by selling fiscal bonds.

The monetary policy adopted in the second half of the year was directed mainly at containing the growth in the money supply. As a consequence, interest rates on deposits rose from around 23% in June to around 28% in November. The reduction in long-term external financing and the need to cover the external deficit with short-term capital also contributed to continuing high interest rates. Interest rates on loans remained at the high real levels recorded at the end of 1993. Private-sector credit was restricted voluntarily as a result of an agreement between the Central Bank and the financial sector. Credit expanded by 20% in nominal terms between January and September 1994, in contrast with an expansion of 48% for the same period in 1993. However, credit to the public sector rose by 31% (to September) on account of the worsening fiscal situation. The Central Bank issued securities to finance overdrafts by the Banco Anglo-Costarricense as well as absorb the large growth in liquidity generated by the fiscal and quasi-fiscal deficits. In this context, the balance of securities accumulated between December 1993 and August 1994 grew by 48% in nominal terms. The monetary stabilization bonds accumulated to August represented 56% of the monetary base in August 1994.

Recent regulations raised the legal reserve requirement ratio considerably to a maximum of 43% of the value of the most liquid deposits and to a minimum of 10% of the value of deposits for terms of over six months. These ratios can be reduced if the commercial banks buy monetary stabilization bonds or Government securities or commit themselves to the purchase of Banco Anglo-Costarricense portfolio. In any case, there was a considerable increase in the money supply. The monetary base grew by 31% between January and September 1994 with respect to the same period in the previous year. This becomes more significant if the substantial loss of reserves recorded in that period is taken into account.

Exchange-rate policy was not altered. Although the monthly devaluation rate was below the inflation rate, the real effective exchange rate appears to have increased slightly on average for the year. The new Government was due to submit to the General Assembly at the end of the year a package of measures designed to eliminate the fiscal deficit, raise the percentage of public spending earmarked for investment to 20% of total spending, finance current spending entirely with current revenues and reduce the internal public debt to 15% of GDP. In addition, an effort is being made to partially "dollarize" the internal debt so as to reduce it, by using funds from the third phase of the Structural Adjustment Programme and selling minor State assets. Lastly, an overhaul of all State organizations has begun aimed at restructuring them and reducing their size.

During the first half of the year, average wages increased by 8% in both the public and private sectors. Beginning in August the public sector was granted a wage rise of almost 7%, together with a school bonus of 1% (generally deferred until 1995); the wage hike for the private sector was set at 8% plus a 2% school bonus (only applicable for those on the minimum wage and deferred until 1995).

The price stabilization process tended to gain strength in **Ecuador,** to the point where inflation did not exceed 25% in the 12 months ending in November; this rate represents half of that recorded during the period 1989-1992.

The annual financial programme, which resulted in the signing of a stand-by agreement with the International Monetary Fund in May, was designed to reduce the increase in consumer prices to 20% per annum, against a backdrop of 3% growth in the level of activity, a non-financial public-sector deficit half a percentage point greater than GDP and international reserve gains in the vicinity of US$ 275 million.

At the beginning of the year tax receipts were affected by the fall in the price of oil, and this forced the Government to seek new sources of income. Since the Congress did not approve a substantial increase in the value added tax, the course of a large increase in the price of fuels was chosen. In an effort to stabilize tax revenues, the domestic price for petroleum by-products was tied to trends in international prices; whenever this price surpasses a pre-established minimum price (US$ 13 per barrel in 1994), a special tariff is applied to by-products. The efforts made to maintain fiscal discipline, the increased level of activity and improved tax collection procedures all combined to ensure that the non-financial public-sector deficit remained at a similar level to that of the preceding year, and close to the target set (0.5% of GDP).

International reserve gains were somewhat greater than had been predicted, largely owing to copious inflows of capital attracted by high interest rates and the stable exchange rate for the dollar. A further contributing factor was the flow of direct investment prompted by the strengthening of the free trade zone of the Andean Group. In this context, and under a regime of floating exchange rates and intervention by the Central Bank, the sucre continued to appreciate (around 8%), though at a lesser rate than in the preceding year.

The clear trend towards a drop in inflation, against a backdrop of external capital inflows, reinforced the process of the economy's remonetization. Thus, the money supply (M1) increased by 63% in the 12 months ending in September. A greater increase in both savings and time deposits led to an increase of 67% in M2 over the same period. In order to lower the cost of financial intermediation, bank reserve requirements were consolidated and reduced from 25% to 12% and then 10%. Although interest rates fell in nominal terms, they continued to yield high real returns. Financial reform boosted growth in and diversification of the capital market. As a result new banks were established and there was greater activity on the stock exchange.

In January, compensatory wage payments were increased and in July they increased once again, as did the minimum wage. As a whole, this represented real growth of 23%, and has meant a recovery of a substantial part of losses incurred in previous years (49% between 1986 and 1991, with a slight recovery in 1992-1993).

Inflation increased slightly in **Guatemala** to less than 13% (1% below the rate for 1993), in a context of political conflict between

branches of government and problems in bringing the internal armed conflict to an end. This meant that the contribution of moderate fiscal and monetary policies was especially important in establishing a framework of economic stability; the rise in international prices for the main export products also contributed to economic stability.

Economic policy was in keeping with the agreement reached with the International Monetary Fund (IMF), whose main features included liberalization of the foreign exchange market and deregulation of fuel prices, the adjustment of electricity charges, renegotiation of the debt with the Paris Club and tax reform intended to achieve a tax burden equivalent to 8.5% of GDP and a fiscal deficit of 0.5% of GDP. The agreement provided for a target of zero variation in net international reserves and the reduction in net credit to central Government of 443 million quetzales.

In the course of the year, fuel prices were deregulated and more flexibility introduced into the foreign exchange market; in addition, the debt with the Paris Club was renegotiated. In contrast, electricity charges were not adjusted as a consequence of an action of unconstitutionality filed by the Office of the Counsel for Human Rights. Tax reform did not proceed, one of the reasons being the surprise removal of members of the Congress. The delay in improving tax reforms together with persistent operational problems in tax administration resulted in lower tax receipts with respect to the previous year, and as a result the tax burden barely reached 6.8% of GDP. At any rate, the fiscal deficit amounted to 1.6% of GDP and quasi-fiscal losses of around 1% of GDP were recorded by the Central Bank.

Fiscal management was hampered by several problems. As a result of the stand-off between the legislative and executive branches of government, the budget for fiscal 1994 was not adopted; as a consequence, the budget for 1993 remained valid, but appropriations fell in real terms. In addition, tax receipts fell by over 1% as a result of a dramatic drop in the amount of income tax collected of more than a third in nominal terms on account of a successful filing of an appeal of unconstitutionality. In contrast, there was a moderate increase in indirect taxes, particularly value added tax, and in tariffs. Government expenditure was drastically restricted; current expenditure rose by barely 5%, while public investment stagnated. There was an issuance of Government securities in order to finance the deficit, and sales to the public amounted to 864 million quetzales. Some of these resources were used to reduce the debt with the Central Bank.

The foreign exchange market was liberalized in March 1994; the system of public bidding was eliminated and transactions in dollars were allowed to take place at the rate of exchange agreed upon by the economic agents. In a favourable international setting, and with Central Bank intervention coupled with a sound international reserves position, the supply of foreign exchange was a factor in the fall of some 4% in the annual average for the real effective exchange rate.

Monetary policy became more expansionary in the second half of the year. As a result, reserve requirement ratios fell from 21% to 14% and open-market operations dropped markedly. The consequent injection of liquidity was partially offset by an increase in banks' compulsory interest-bearing investments with the Central Bank, which rose from 15% to 20%. The measures implemented led to falling interest rates in all financial markets. As regards open-market operations, the 365-day rate fell from 22% in December 1993 to 14% in December 1994; in addition, the interest rates on debt instruments negotiated on the stock exchange dropped from an average of 18% in December 1993 to 15% in 1994. Lastly, the bank loan rate dropped from 28% in December 1993 to 20% in the final quarter of 1994; bank deposit rates underwent similar adjustments.

In a context of macroeconomic imbalance and a fall in the level of activity, inflation doubled in **Honduras** to more than 28% per annum. The fiscal deficit was lower than that recorded the previous year, but this was due to a marked drop in capital spending financed with external resources. The notable feature of 1994 was the financing of the public deficit by an increase in the money supply; this led to a speeding up of the rise in prices which had already been evident towards the end of the previous year. Increases in transportation and energy tariffs, which were designed to reduce the financial deficit of public enterprises, the increase in the price of foodstuffs as a result of a severe drought, which led to a reduction in domestic supply, and the devaluation of the local currency all contributed to the rise in prices.

In the light of strong demand for foreign exchange, with episodes of capital flight and yet more losses of international reserves, the value of the dollar had increased by 25% up until November. At mid-year, the fiscal deficit remained at the high levels (11% of GDP) recorded the previous year. In an effort to control this imbalance, a package of measures was adopted which was designed to increase revenues and restrict expenditure; as a result it was possible to substantially reduce the deficit to around 7% of GDP in September. This reduction of the deficit was largely the result of a real contraction in current spending (-10%) as well as a marked reduction in capital spending, and especially public investment, which declined by more than 30% in nominal terms. Current revenues virtually stabilized in real terms.

The set of fiscal measures adopted included the broadening of sales tax to include services, the imposition of a common 20% selective consumption tax on imported motor vehicles and the increase in the tax on consumption of non-essential items. In addition, a tax on net assets was introduced to counteract income tax evasion, through an automatic monitoring system. The tax base in the case of taxes on foreign trade began to be calculated on the basis of the customs valuation of goods, in accordance with the exchange rate prevailing on the market.

The goal of monetary policy was to restrict liquidity, and for this reason the legal reserve requirement was increased to 38%. The fact that credit was less available put upward pressure on loan rates, while deposit rates rose moderately. The scarcity of credit in the banking system provided the impetus for the expansion of unregulated financial activities.

The rise in prices, combined with slow movement with respect to wages, translated into a worsening of real pay rates, which have been contracting since the end of the 1980s.

Inflation was close to 33% per annum in **Jamaica;** against a backdrop of abundant foreign exchange inflows and increasing international reserves, the growth in the money supply markedly exceeded the original target of 10% per annum.

In **Nicaragua,** inflation fell to a little over 12%, half the figure for the previous year, in a context where fiscal policy did not place pressure on money creation, the local currency appreciated and international organizations provided financial support.

Fiscal policy conformed to the programme agreed upon with IMF in the framework of the structural adjustment loan. Given the weakness of the economy and its high degree of foreign indebtedness, the strategy provided for a considerable fiscal deficit (which even increased from 6% to 8% of GDP) financed

with external resources. In the course of the year, measures were taken to improve public administration. On the revenue side, the prices for several services, including petrol, were adjusted and efforts were made to increase the efficiency of revenue collection. A tax reform was implemented under a number of decrees and ministerial agreements; the selective consumption tax and the tax on luxury goods were abolished and replaced by a special purpose tax on consumption and a temporary protective tariff. The temporary purpose tax on consumption is levied on the c.i.f. value of imports and the ex factory price of goods produced locally, at a rate which varies between 0% and 80%. The special protective tariff, which is applicable to the c.i.f. value of imported goods, has had a maximum rate of 15% in 1994, which is set to fall gradually to zero by the year 2000. On the spending side, a labour mobility plan was implemented with the aim of cutting 7,000 jobs in the public sector. At any rate, implementation of fiscal policy is still some distance from the targets agreed upon. Drought and electricity rationing combined to adversely affect the level of tax revenues as well as the operating results of public utility corporations, and also caused spending to increase. In addition, the implementation of the labour mobility plan, which is based on voluntary retirement, has been affected by shortages in the labour market.

Monetary policy retained a restrictive thrust. Although the bank reserve requirements (10% in local currency and 25% in foreign currency) were not changed, the commercial banks kept a level of deposits with the Central Bank that far exceeded the legal requirement. Moreover, the policy of zero net credit for the commercial banks was continued. Long-term credit was now channelled only through the National Investment Fund.

In **Peru**, against a backdrop of active economic recovery, inflation slowed considerably, to under 18%, in the 12 months ending in November, a rate even lower than that estimated by the authorities at the beginning of the year and less than half the rate of the preceding year. A substantial change in the Peruvian economy, towards a regime of moderate inflation, is thus being consolidated.

Following the increase in electricity and telephone charges during the first half of the year, as well as the seasonal increase in prices of agricultural products, the rate of increase in prices slowed in the second half of the year to close to 0.5% monthly. This behaviour was largely the result of a reduction in cost pressures, since fuel prices stabilized, agricultural supply expanded, contributing to a lower rate of increase in food commodities prices, and the local currency appreciated with respect to the dollar. Furthermore, there was a favourable change in economic agents' expectations, which led to pricing taking account of anticipated inflation to a great extent.

In the first half of the year, growth in the money supply had resulted from the purchase of foreign exchange in an amount of about US$ 500 million. In order to avoid overexpansion of the money supply the Central Bank sold bonds, which absorbed a good part of the money creation resulting from the increase in international reserves. The increase in public-sector deposits had a similar effect. In the third quarter, foreign exchange transactions led to a slight negative balance, which reduced the pressure towards expansion of the money supply; in fact, the public sector withdrew deposits. From July onwards monetary policy was less active, in a context of rapid expansion of aggregate demand and of the level of activity and a clear downward trend in the inflation rate.

The improvement in the country's economic and financial context contributed to an increase in local-currency liquidity to 80%, with a considerable increase in quasi-money and a substantial remonetization of the economy. In any event, the degree of dollarization of the economy remained high, at around 70% of total deposits. The real interest rate on loans was dropping, but remained extremely high (30%) with respect to the interest rate on foreign currency (15%), which encouraged agents to borrow in foreign currency, in spite of the exchange risk.

Exchange policy retained the system of a floating exchange rate with Central Bank intervention, respecting the monetary expansion goal; the rate of devaluation lagged behind the trend in domestic prices and those of a basket of currencies of the country's main trading partners; as a result, the real effective exchange rate dropped by 6% between the third quarters of 1993 and 1994.

Monetary management was supported by a balanced budget, even when revenue from privatizations is not taken into account. This was achieved as a result of a substantial increase in tax revenue, which rose from 10.8% of GDP in 1993 to over 12% in 1994. Capital expenditure remained at about 1.7% of GDP. The added resources from the privatization of two large public companies in the energy and communications fields, amounting to about US$ 2 billion, were sterilized; in order to avoid unwanted expansion of public expenditure, the authorities made a commitment to the International Monetary Fund to use revenue in excess of US$ 626 million to pay off the country's external debt and to fund projects with high social returns in connection with which commitments had already been made to other international agencies.

In **Paraguay** inflation dropped somewhat, to under 19%, in the 12 months ending in November. Inflation had shown resistance to dropping below an annual rate of 20% over the past two years, despite the public-sector financial surplus. Twelve-month inflation remained persistently at around 21-22% in the first three quarters, but its pace slackened towards the end of the year. The factors chiefly responsible for this behaviour were the indexing mechanisms involved in the formation of a wide array of domestic prices and growth in the money supply resulting from the acquisition of international reserves by the Central Bank, in a foreign exchange market with an abundant supply.

The public sector remained in surplus owing to the considerable increase in revenue from taxes, both direct and indirect, and the higher level of royalties and arrears paid by Brazil for use of the Brazilian/Paraguayan Itaipú hydroelectric plant. Overall, the central Government's current revenue increased by 50% in the 12 months ending in September (in comparison with the preceding 12 months). Although expenditure also rose rapidly, it did so at a lower rate (40%).

Despite the fiscal surplus and the open-market operations carried out by the Central Bank –which meant that the interest rate continued to produce real positive yields– money creation continued to expand at an annual rate of 30% in the 12 months ending in September. This expansion was caused by the acquisition of foreign currency, since net domestic lending had a contractionary effect. The guaraní once again appreciated with respect to the dollar, but since its value rose only 7% in the 12 months ending in September the real effective exchange rate, which takes account of a basket of currencies of the chief trading partners, fell slightly in the first three quarters, owing to the rise in dollar terms in Brazil's domestic prices.

The introduction of the Real Plan in Brazil had a number of effects in Paraguay. On the one hand, the increase in external demand for some food commodities, whose ability to compete had been enhanced as a result of the appreciation of Brazil's currency, gave rise to a number of inflationary pressures. In turn, since a high proportion of consumer goods is purchased in Brazil, the increase in prices in dollar terms in Brazil had the effect of raising domestic prices.

The minimum wage was adjusted twice. In January the authorities raised it by 15%, and in July a decision was taken to increase it by a further 10%. Also in July, public-sector wages were raised too, with increases ranging from 7.5% to 10%. However, despite the decisions to increase the minimum wage, its annual average was once again below consumer prices (-2%).

In the **Dominican Republic** inflation accelerated by 11%, after having reached only 3% the previous year. In the first eight months, in the context of a complex electoral process, the imbalance in public finances gave rise to excess aggregate demand, pronounced losses in international reserves, and inflationary and devaluation pressures.

In view of this context of macroeconomic fragility and political uncertainty, at the beginning of September foreign exchange, monetary and fiscal measures were taken. Thus, the exchange rate was consolidated and at the same time the local currency was devalued from 12.50 pesos to the dollar to 12.85 pesos. Moreover, the authorities permitted export earnings from a number of products to be used for the acquisition of foreign exchange, making foreign currency more readily available on the foreign exchange market, and steps were taken to enable the Central Bank to attract more foreign exchange.

In order to control growth in the money supply, the granting of all credit by the Reserve Bank of the Dominican Republic to the decentralized, autonomous public sector and to public enterprises was made subject to the prior approval of the Monetary Board. Furthermore , all credit facilities provided by the Central Bank to the public and private sectors were suspended. In order to reduce the liquidity in the economy, open-market operations were carried out, by means of the issuance of Central Bank share certificates with higher interest rates. Deposits in excess of the bank reserve requirements held by commercial entities were also frozen until the end of the year; the annual interest rate on the deposits in question is 12%. By October, these monetary and fiscal measures had led to an increase in interest rates, a contraction of aggregate demand, greater exchange rate stability in bank and non-bank markets, and a partial recovery of international reserves.

The widening of the fiscal deficit to 1% of GDP gave rise to a lower increase in central Government revenue (8%) than that in expenditure (12%). The chief factors responsible for the increase in revenue were the special tax on petroleum and the sales tax on industrial goods and services. On the expenditure side, there was considerable growth in recurrent expenditure, particularly on such items as materials and supplies and personal services. In the non-financial public sector there was also a significant widening of the deficit, which was financed almost entirely by means of external resources. The Central Bank assumed responsibility for paying off the Government's external debt.

The fall in international reserves and the Central Bank's open-market operations were important factors where monetary contraction was concerned, to such an extent that money decreased 2% in nominal terms in the 12 months ending in September. An outstanding factor responsible for expansion was the growth in bank lending. Commercial bank lending rose by 19%, while Central Bank lending rose by 22%, with a 9% increase in lending to the private sector and an increase in the Government's indebtedness. High interest rates contributed to an 11% increase in savings and time deposits, which meant that the broad money aggregate (M2) rose by 5%.

iii) ***Countries with high inflation.*** In **Brazil** the adoption of the Real Plan (see box 1) put an end to the inflationary regime that had been characteristic of the country for many years, under which there had virtually been two currencies, a nominal one and an indexed one. Thus, after having come close to an annual figure of 5 000% by mid-year, the annualized inflation rate was about 50% in the first five months following the introduction of the new currency.

Monthly inflation, which had been about 30% in 1993, rose significantly in the first half of 1994, reaching 50% in June. This trend was abruptly reversed when the Plan took effect. In July and August inflation fell to around 6%, still under the influence of the "carry-over" effect of the considerable increases that had occurred at the end of June. In September inflation dropped below 2%, but then rose again to over 3% owing to seasonal factors and the impact of drought on food commodities. Towards the end of the year, the effect of these adverse factors was mitigated; as a result, monthly price increases were showing a downward trend.

In the second half of the year industrial prices demonstrated notable stability, unlike in the case of agricultural prices, rents and services. This stability was facilitated by the lower variation in the cost of inputs, particularly in the case of public services and imported products, by the greater competition faced by tradables, and by the coordination of prices in the production process facilitated by the URV. However, there have been cost pressures resulting from readjustment and anticipation mechanisms based on the increase in the consumer price index in reales (D.

The exchange rate has had a major impact on the behaviour of prices. The Central Bank withdrew from the foreign exchange market soon after the Plan was introduced, which brought the nominal exchange rate down rapidly, to 0.83 reales to the dollar. Exchange-rate appreciation has promoted stabilization, while also giving rise to uncertainty among exporters, and among national manufacturers, whose level of protection has been drastically reduced; in addition, there is the fact that the Government has been using the reduction of import duties as a way of controlling the prices of products in respect of which there is little competitiveness as regards domestic supply. In the last quarter, the Central Bank has been buying and selling foreign exchange at 0.85 reales to the dollar.

Financial authorities have always regarded balanced public accounts as a prerequisite for price stabilization. Already when the stabilization programme was announced, in December 1993, emergency solutions were put forward to achieve a balanced budget, pending more far-reaching fiscal adjustment. In particular, a constitutional amendment was proposed with a view to reducing the mandatory allocation of taxes and social contributions. In any event, a balance was achieved by means of cash-flow position, since the expenditure level was geared to the revenue level. Tax revenue rose by 16% in 1994, owing to the tax on debit balances in current accounts with banks, which started to be collected at the beginning of the year, and the recovery of social contributions (CONFINS) subject to legal claims in previous years; revenue from some other taxes either

stagnated or dropped. The greater revenue in question has made it possible to cope with the increase in non-financial outlays without any particular difficulty. However, the high cost of the public debt (resulting largely from the sterilization policy that preceded the Real Plan) is a major determinant to take into account. In any event, in 1994 the operating outcome was balanced.

An important aspect of public-sector support for the new plan was the establishment of the Social Emergency Fund. Following extensive negotiations, this fund was approved in late February; its resources consist of 20% of revenues from all federal sources, both taxes and net social security contributions from the constitutionally prescribed transfers to states and municipalities, as well as from the federal Government's sale of shares in its enterprises, including those already privatized.

The Real Plan triggered a rapid remonetization process. The monetary base, which amounted to only US$ 3.7 billion (less than 1% of GDP) at the end of June, is expanding quickly. In view of the stronger-than-expected demand for money, the Central Bank has announced that it will have to use the 20% margin of expansion authorized by the new arrangements. Furthermore, at the beginning of July, the issuing authority set the nominal monthly interest rate at 8%, though the rate fell in subsequent weeks.

In a context of rapidly recovering domestic consumption, bank credit grew at a brisk pace. In mid-September, the financial system's mandatory Central Bank deposit requirements were increased in an attempt to ease the pressure of demand on domestic prices.

In recent months, the exchange-rate anchor has taken priority, since the other anchors have become increasingly fragile. The fiscal anchor faces several challenges; for example, the equilibrium of the 1995 budget will be threatened by the abolition of the tax on current-account debits after 31 December 1994. The wage anchor is becoming harder to maintain as the consumer price index in reales (CPI-r) accumulates a high readjustment percentage (around 23% for categories subject to annual revision in January 1995). Moreover, the original monetary goals have not been met, since the monetary base expanded from 3 billion reales in June to 13 billion in October, which already exceeds the ceiling of 9.5 billion fixed for March 1995.

The level of interest rates and their implications are still under discussion. The most common criticisms are that real rates are too high and that they represent a potential disincentive for production, on the one hand, and a possible threat to the fiscal situation, on the other, in that they will increase the burden of public debt servicing. In fact, a remarkable degree of stability has been maintained during the transition period, and the production sector does not seem to have been adversely affected by high interest rates.

In the midst of a dramatically deteriorating economic, social and political situation, inflation in **Haiti** topped 50% per annum as a result of the sudden increase in gasoline prices –which rose more than tenfold–, the scarcity of products for sale, the expansion of the money supply to finance a fiscal imbalance equivalent to about 5% of GDP and a substantial nominal depreciation of the local currency, whose value fell from 12 to 21 gourdes per dollar between September 1993 and August 1994 (though the dollar subsequently fell to 15 gourdes).

Inflation remained high in **Uruguay**, but continued its gradual slow-down; the 45% increase in consumer prices in 1994 (compared to 53% in 1993) was the lowest in over a decade. Widespread indexation on the basis of past inflation is the main reason why the rate of increase in consumer prices did not decline faster. With the aim of reducing annual inflation to 35%, the financial programme launched early in the year preserved the main features of Uruguay's economic policy in recent years. Thus, the increase in the floor of the local currency's flotation band in relation to the dollar was kept at 2% a month, at which rate the Central Bank is required to purchase the total supply of foreign exchange; measures were adopted to raise fiscal revenues; and a moderate expansion of the monetary authority's domestic credit and of international reserves was planned.

The final results deviated somewhat from this programme. First, the financial imbalance of the consolidated public sector was higher than expected, amounting to about 2.5% of gross domestic product. The setback this represented with respect to the preceding year, when the deficit was equivalent to 1.5% of GDP, originated in the non-financial public sector, since the para-fiscal expenditure of the official banking system fell slightly, to less than 1% of GDP. Poorer management on the part of both the central Government and public enterprises was observed. In the case of the former, the increase in fiscal pressure could not offset the rapid growth in outlays, with the result that the deficit widened to over 1.5% of GDP. The worsening of the social security system's imbalance and the considerable expansion of fixed investment were decisive factors in the increase in expenditure. Public enterprises as a whole, which consistently ran surpluses in previous years, are now showing slightly negative balances.

Nevertheless, the non-financial public sector's bigger deficit did not exert pressure on money issuance because it was financed with external resources. Thus, since the Central Bank's domestic credit contracted in the first nine months of the year, the growth of the monetary base was due to the increase in international reserves. In these circumstances, the money supply swelled by 50% over the 12 months ending in September, while the broader monetary aggregate (M_2) grew more slowly (45%) because the amount of time deposits in local currency continued to shrink in real terms. This behaviour reflected the near-zero real yields of interest rates for deposits in local currency, though the yields of dollar deposits were attractive, considering that the nominal exchange rate rose by 27% a year.

This behaviour of the dollar was a crucial factor in the decline in inflation. The nominal depreciation of the local currency over the first 10 months of the year coincided with the level foreseen in the programme, and directly affected changes in the prices of tradables. In the months preceding November's general elections, the exchange rate fluctuated within the currency band (of 7% over the minimum price of the dollar) as uncertainty mounted among economic agents. After the elections, the dollar returned to values close to the floor of the band. In that context, the local currency continued to appreciate in relation to the dollar; the real effective exchange rate, calculated with a basket of the currencies of the country's main trading partners, recovered partially in the second half of the year owing to an increase in dollar prices in Brazil, but the annual average fell once again.

Nominal wages, meanwhile, closely followed overall domestic price patterns. Both public- and private-sector wages rose slightly in real terms; in both sectors, the purchasing power of the average wage increased by just over 1% in 1994.

Box 1

BRAZIL'S STABILIZATION PLAN

The Brazilian Government's latest attempt at stabilization (the eighth in nearly a decade) –the *Real* Plan– has undoubtedly been a great success, having slashed monthly inflation from almost 50% in June 1994 to around 3%, on average, in the second half of the year. None the less, some difficulties have arisen which could hamper efforts to consolidate this process, such as emerging inflationary pressures, a significant increase in demand, the risk of a return to indexation, exchange-rate lag and problems in controlling liquidity.

Unlike previous stabilization plans, the *Real* Plan was notable for its transparency with regard to the measures contemplated and the timetable for their implementation; price freezes, intervention in labour contracts and all other types of drastic or unexpected action were explicitly ruled out. The plan was carried out in three stages, which were announced and described ahead of time in December 1993. The first stage involved fiscal adjustment to balance the budget in 1994, for which purpose mandatory allocations of taxes and social security contributions were reduced in order to provide greater flexibility in the use of fiscal resources.

The second stage, launched in March 1994, sought to coordinate the economy's prices. To that end, a basic indexing instrument was created, the unit of real value (URV), whose level was adjusted daily. The URV was calculated retrospectively, in order to determine the true historical values of various prices. The first category to which this mechanism was applied was wages, whose URV value was made equivalent to the average value actually paid in the preceding four months. Moreover, the Central Bank began to use the daily value of the URV as a yardstick for the exchange rate (US$ 1 was equivalent to 1 URV). During the second quarter, the same procedure was applied to public rates and charges. However, the conversion of housing rents and of monthly fees for private schooling encountered specific difficulties which made it impossible to align them with the URV. At the same time, the Government promoted the gradual conversion of private-sector prices and contracts to URV values to make them equivalent to the average value attained in the period from September to December 1993. In order to avoid the traumatic situations caused by previous plans, the authorities eschewed the use of punitive measures, opting instead, and only in the case of highly sensitive items in the family budget, for negotiation and persuasion.

The third stage of the plan was initiated in July, with the introduction of a new currency –the *real*–, the sixth since 1986. A new monetary regime was established; the old currency still in circulation was replaced at the rate of one real for one URV, or 2,750 cruzeiros reales, the value as of 30 June. Furthermore, the plan specified mechanisms for the issuance of the new currency, under which the Central Bank would be required to maintain international reserves in an amount equivalent to the value of reales in circulation, at the selling rate of one real per dollar. The plan also placed quarterly limits on the monetary base. Most indexed financial contracts were prohibited; only commercial contracts of more than one year would be subject to indexation, based solely on the behaviour of the consumer price index in reales (CPI-r). Lastly, wages would be adjusted only once a year according to the variation in the CPI-r on the date each category's adjustment was negotiated.

Since the plan does not call for strict convertibility, the Central Bank will not make any commitment to purchase foreign exchange. In addition, the plan limits public-sector financing. With regard to monetary policy, the Central Bank has replaced the automatic buyback of public securities with standard rediscount operations. The reserve requirement for time and savings deposits was raised by 5%; in the case of demand deposits, a marginal cash reserve of 100% was imposed for any amount exceeding the position recorded on 30 June.

The restrictive measures were tightened in October, when the economy showed signs of overheating. The banking system's reserve requirements were increased, consumer credit (particularly automobile loans) was restricted, interest rates were raised significantly and steps were taken to stimulate foreign purchases, *inter alia* by lowering tariffs on imported goods not available domestically.

1994 CONSUMER PRICE INDEXES

(Monthly variations, in percentages)

January	41.3
February	40.6
March	43.1
April	42.8
May	42.7
June	48.2
July	7.8
August	1.9
September	1.4
October	2.8
November	3.0
December (estimated)	2.2

Source: National consumer price indexes according to the Brazilian Geographical and Statistical Institute (IBGE).

In **Venezuela**, despite the new Government's efforts to ease pressure on prices by containing the fiscal deficit, inflation accelerated to more than 70% towards the end of the year; this was the country's second highest rate of inflation, after the 1989 rate.

The extremely tight monetary policy implemented by Venezuela's Central Bank since 1993 to hold down price increases was neutralized by the monetary effects of the solvency crisis that hit 11 banking institutions, whose assets came under State control after the latter provided, through the Deposit Insurance Fund (FOGADE), some 950 billion bolívares (about 11% of GDP) in financial aid. This aid, which was financed almost entirely by means of Central Bank credits, injected liquidity into the economy, thus boosting inflation in the first half of the year and exerting pressures on the bolívar, which the Central Bank sought to ease by drawing down nearly US$ 4 billion in reserves. The compensatory policy of monetary containment, on the other hand, kept interest rates high, while the yields of zero-coupon bonds issued by the Central Bank to soak up liquidity in the economy rose from 50% early in the year to over 70% by the end of the first six months.

In late June, the Government decided to impose exchange and price controls on a number of products and services, as well as on foreign exchange. This measure slowed the increase in consumer prices, but could not keep accumulated inflation from nearly doubling the rate initially programmed (35%). The price of the dollar was fixed at 170 bolívares, which represented a 60% devaluation of the local currency since the beginning of

1994. Zero-coupon bond yields fell to less than 30%, dragging bank interest rates down with them. The recovery in the Central Bank's reserves considerably mitigated the drop recorded in the first half of the year. The fact that deposit rates were strongly negative in real terms and the imposition of exchange controls promoted greater product demand, which increased pressure on prices towards the end of the year, although the growth of broad money in the economy did not match inflation as a result of the low returns on deposits.

The financial aid granted to banks frustrated the Government's initial attempts to reduce the fiscal deficit (which represented 3.5% of GDP in 1993) through a series of tax measures designed to increase State revenues. If the financial transfers are included as part of expenditure, the deficit (both fiscal and quasi-fiscal), which was also enlarged considerably by the interest on the bonds used to neutralize the monetary impact of the transfers, could exceed 16% of GDP this year. In September the Government announced a wide-ranging Economic Stabilization and Recovery Plan that included measures to cut the fiscal deficit and inflation and to lay the foundations for sustained economic growth.

Formal and informal market prices show dissimilar patterns in **Cuba**, which has introduced significant economic reforms in the past few years. The authorities continued to implement gradual structural changes, oriented particularly towards liberalization and deregulation, while some shares in public enterprises have been privatized through foreign investment; this process is to be intensified and extended to all production sectors.

Also of note were actions to liberalize the marketing of agricultural and industrial products; the down-sizing of the State; the transformation of fiscal and monetary policy, from expansive in the past to contractive in 1994; the promulgation of a new tax law; an increase in prices and charges for various goods and services; legal recognition of the importance of private intermediaries in financial and commercial activities; and the introduction of special incentive mechanisms, in local and foreign currency, for workers in high-priority activities.

In the formal sector, which basically operates in local currency, consumer prices rose markedly as a result of the increase in non-essential products such as cigarettes, tobacco twists, beer, rum, brandy and fuel for private motor vehicles. Moreover, rates for residential electricity consumption in excess of a monthly level of 100 kW per household were adjusted in September, and fares for rail, air, maritime and long-distance bus transport were raised. Price hikes were also observed in water supply and sewerage services, as well as in national and international postal and telegraph services and in the retail prices charged by worker cafeterias.

In contrast, in the informal sector, which accounts for a significant proportion of retail trade, prices declined moderately as a result of the decrease in accumulated liquidity and the liberalization of the market for agricultural products. In businesses authorized to make sales in foreign exchange, prices rose only slightly, after having risen considerably in 1993.

Despite the increase in the cost of living brought about by the new fiscal measures, the price increases and the elimination of free services, public-sector wages did not rise. Only employees in high-priority activities such as electric power generation, port services, shipbuilding, raw materials recovery and steel and cement production enjoyed incentives, in local currency and in United States dollars, which have greatly increased labour productivity.

Fiscal policy is focusing on reducing the public-sector deficit by boosting current revenues and cutting expenditure. To that end, direct taxes on the income of self-employed workers, small-scale farmers and members of production cooperatives have been raised. The authorities also plan to increase the amount of taxes collected on the housing stock, vehicles and landed property. In addition, they have raised the rates charged for public services. Efforts have also been made to reduce expenditure by simplifying the structure of the central Government (15 ministries and other high-level institutions have been eliminated) and by reducing subsidies.

The rehabilitation of public finance was reflected in a decline in accumulated liquidity and a slow-down in the rate of price increases. In the first months after the above-mentioned measures went into effect (June to October), monetary contractions equivalent to 21% of liquidity were already being recorded, with the result that the local currency appreciated in the informal market. Most of the accumulated liquidity was kept in savings accounts.

4. EXTERNAL TRADE

a) The international context

In 1994, trends in the international economy underwent major changes in relation to previous years, and were generally advantageous for Latin America. Growth rates in the industrialized countries recovered significantly after four years of sluggish expansion. Consequently, commodity prices reversed their downward trend of recent years and rose appreciably, to the benefit of Latin American exports, which consist largely of raw materials. Inflation, meanwhile, remained low. However, international interest rates rose, mainly as a result of the policy followed by the United States Federal Reserve Bank, though without reaching the levels recorded up to 1991. This was detrimental to the Latin American countries, which saw their external debt service payments rise. Nevertheless, as yields on financial assets in international markets remained low, especially in relation to the rates offered in the region, developed-country investors continued to buy significant amounts of Latin American securities.

The world economy's satisfactory growth was determined primarily by recovery in the industrialized countries and continued expansion in the developing countries, as well as by slower deterioration in the economies in transition. GDP growth in the industrialized countries amounted to 2.7% –a considerable improvement over the 1.3% recorded in 1993. The developing countries, in turn, saw their output rise again by more than 6% in 1994, though this rate largely reflects the rapid expansion in Asia. In the economies in transition, GDP growth slowed for the fifth year in a row, amounting to only 3.3% after having reached 9% in 1993 and 15% in 1992. Although the situation of Eastern Europe seems to have stabilized, and has even given rise to expectations of a 2% growth rate, the outlook for the former Soviet Union is still bleak, as GDP could fall by more than 5% this year.

Output grew vigorously in the United States, reaching nearly 4% in 1994. The upswing in activity was underpinned by low interest rates and an improvement in the net assets position of households and firms, as the excessive level of indebtedness

in the preceding period was reduced and refinanced and as businesses undertook restructuring operations. Between July 1992 and February 1994, interest rates fell to their lowest level since 1983, easing the debt burden enough to generate a significant increase in aggregate expenditure. Growth was fastest in the areas that are most sensitive to variations in interest rates, notably the housing sector, consumer spending on durable goods and commercial investment in capital goods. However, the marked increase in the level of activity in 1994 gave rise to fears that inflationary pressures could resurface, even though consumer attitudes generally remained cautious. This situation led to a gradual rise in short-term rates beginning in February 1994, but this did not affect economic expansion, which forged ahead energetically for the rest of the year.

The European Union's output grew by just over 2%, recovering from its decline the preceding year, but the high unemployment rate has not improved, with 18 million people (nearly 11% of the labour force) out of work. Consequently, unemployment has become a major source of political (as well as economic and social) concern. In Germany, the difficulties arising from the integration of the former German Democratic Republic continue to weigh down the economy and have led to an explosive fiscal situation, largely because of the massive, ongoing transfer of resources to the new states of the east, although automatic stabilization systems have also increased the deficit since the onset of recession. This forced the Deutsche Bundesbank to adopt fiscal austerity measures and a cautious stance with regard to relaxing monetary controls. However, to moderate the recession, short-term interest rates were gradually lowered in 1993 and in the first half of 1994. Beginning in the second half, the German economy's activity level has shown unexpectedly strong growth, which has helped the rest of Europe to recover.

Japan, meanwhile, has had more trouble climbing out of recession, as its growth is still weak, though it did speed up in the second half of the year. The repercussions of the adjustment process launched in previous years in response to the drop in the value of assets and the country's high level of indebtedness are still being felt, while the rapid appreciation of the yen has had negative effects on manufacturing, which accounts for about 30% of GDP. The easing of monetary restrictions and the economic measures adopted since the onset of the recession have been unable to mitigate the marked contraction in private expenditure. In particular, since September 1993, the official rediscount rate has been set at a record low of 1.75%. The relaxing of monetary policy helped reduce the cost of economic operations and of the high debt levels; none the less, in view of the economy's considerable excess capacity, the authorities failed to attract private investment to sectors other than real estate. These economic problems were compounded by continued political uncertainty, with fresh changes in the Government.

The acceleration of world economic growth in 1994 was accompanied by lower inflation, since the idle capacity of the developed economies has not yet been used up by the incipient recovery. Inflation in all of those countries declined from 2.9% in 1993 to 2.5% in 1994. In European countries that devalued their currencies, the adverse impact on prices has been cushioned by cheaper labour. In the United States, despite clear signs of economic growth, inflation is less than 3% and the expansion shows no signs of reversing itself. Inflation also fell in Germany, from 4.7% in 1993 to 3% in 1994, and in Japan, from 1.3% in 1993 to less than 1% this year.

The volume of world trade expanded by just over 7% in 1994, or nearly twice as fast as in 1993 and faster than the annual average of 5.2% between 1986 and 1993. This volume increase was accompanied by a price increase in dollars of about 2%, which pushed up the value of trade by more than 9%. Coffee prices rallied after declining steeply in previous years. Sugar, cocoa, banana and wool prices also rose, while cereals achieved modest increases. Metals enjoyed particularly good conditions, with higher prices for copper, lead and silver. In contrast, appreciable declines were observed in beef and iron ore prices, while petroleum prices slipped for the fourth straight year (see table A.12). Because of the growth in their output, the industrialized countries significantly increased their imports, but the world's largest increase in demand for imports was observed in the developing countries of Asia (over 10%), while the rate for Latin America rose by 8%.

The activity of international financial markets slackened in 1994, following the vigorous expansion of capital flows beginning in 1991; these flows dropped by 12% in the first half of 1994. After increasing between 1990 and 1992, the proportion of international capital channelled into developing countries stabilized or even decreased in 1994, especially in the case of equity investments on the part of both mutual funds and other investors. Developing-country bond issues also dwindled in the first half of 1994.

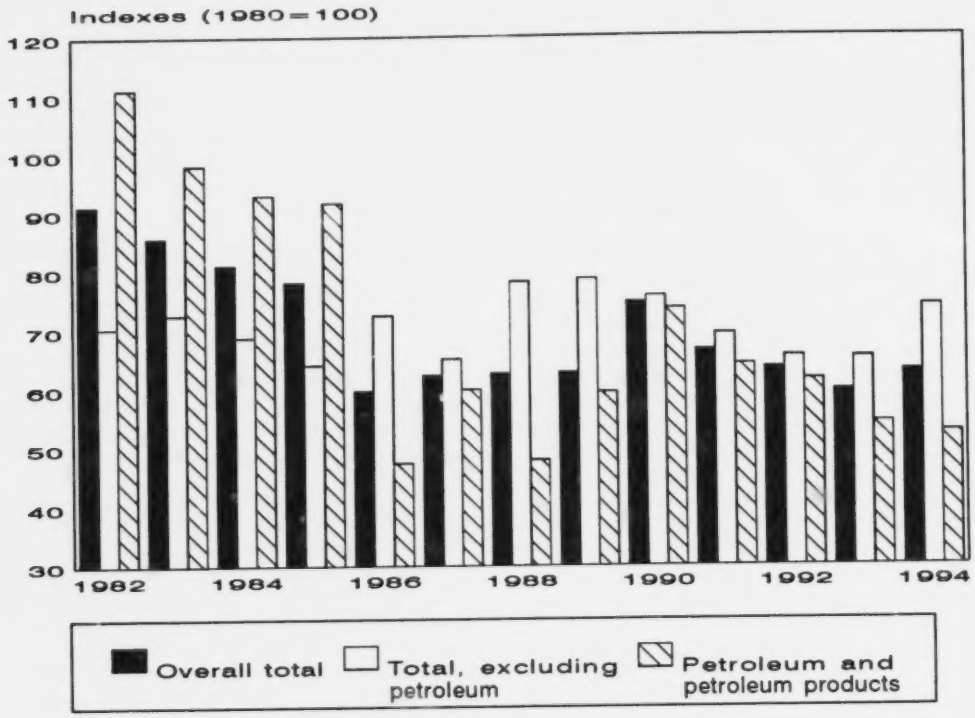
The downturn was largely due to interest-rate hikes in the United States and to the problems besetting some of the region's economies. Short-term rates rose in the United States in 1994; the Federal Reserve Bank raised its rediscount rate six times, to 5.5% in November, compared to only 3% the year before. In contrast, most other developed countries lowered interest rates. Germany's rediscount rate dropped from 5.8% in 1993 to 4.5% in mid-1994, then remained at this level for the rest of the year. In the United Kingdom, the short-term financial market rate descended in the first months of 1994, then shifted upward towards the end of the year. In France, this rate continued the decline it had begun in 1993, which has reduced it to [illegible] of its 1992 level. In Japan, short-term rates fell by one percentage point to just over 2%, the lowest level in years. Meanwhile, long-term rates in developed countries rose by over 2% during the year as a result of greater expectations of inflation, especially in the United States. In Germany, these rates rose again after declining in the first quarter of 1994; the same pattern was observed, though to a lesser degree, in France, the United Kingdom and Japan.

The liberalization of world markets proceeded slowly. The North American Free Trade Agreement (NAFTA), which went into effect in early 1994, may soon be extended, since the Presidents of the United States and Mexico and the Prime Minister of Canada invited Chile to join, with negotiations scheduled to begin early in 1995. The culmination of the GATT negotiations, after years of obstacles, also opened up bright prospects. The new agreement was signed in January 1994, following the laborious conclusion of a bilateral agreement between the United States and the European countries, and has already been widely ratified; as a result, the World Trade Organization, which supersedes GATT, will begin operations on 1 January 1995.

b) Foreign trade and the terms of trade

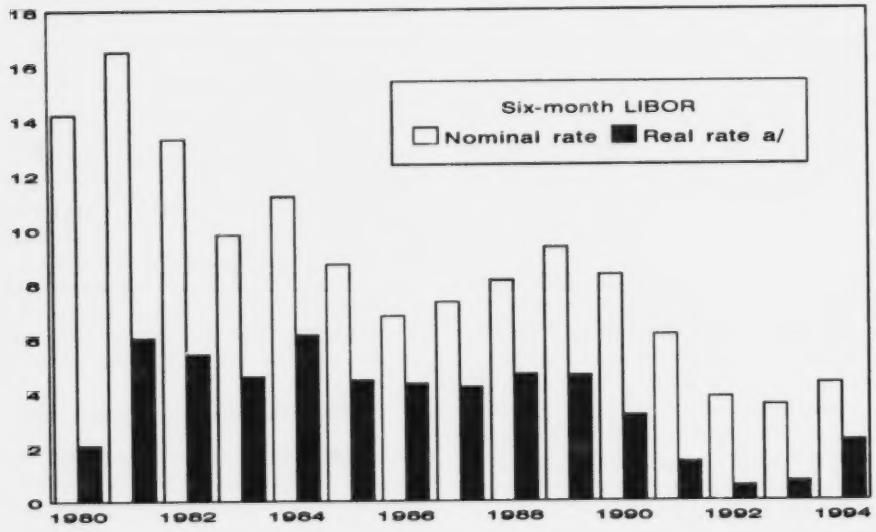
The region's external sector was once again quite favourable, so that it did not hinder growth in most of the economies. Deficits were again recorded in both merchandise trade and the current account, but were easily financed with the continued large inflows of capital from abroad. Export growth, though appreciable in 1994, barely made up for another spurt in the growth of imports. Thus, the Latin American countries'

Figure 2
LATIN AMERICA AND THE CARIBBEAN: PRICE INDEXES FOR MAIN GROUPS OF EXPORT COMMODITIES



Source: ECLAC, on the basis of figures supplied by UNCTAD.

Figure 3
INTERNATIONAL INTEREST RATES
(Percentages)



Source: ECLAC, on the basis of figures supplied by IMF.
a/ Nominal rate, deflated by the consumer price index of the industrialized countries.

merchandise trade deficit widened considerably less –by just under US$ 3 billion– than in the preceding two years. After running a surplus of US$ 9 billion in 1991, the region ran a deficit of US$ 10.3 billion in 1992, which swelled by US$ 5 billion in 1993. The smaller increase in the deficit in 1994 was mainly attributable to the rise in commodity prices, which bolstered the expansion of foreign sales, and to the steep decline in Venezuela's imports as a result of its severe banking and foreign-exchange crisis. Excluding that country, the region's merchandise trade deficit grew from US$ 18.6 billion in 1993 to US$ 26.9 billion in 1994. In any case, this deficit was still low, representing less than 2% of regional output.

The current-account deficit also continued to increase, though more slowly than in the preceding two years, and amounted to about 3% of regional output. This outcome was due to both the moderate increase in the merchandise trade deficit and the US$ 2.7 billion rise in net payments of profits and interest. Moreover, though the region's import capacity grew by only 1%, it was still considerable, thanks to the strong expansion in the physical volume of exports, favourable terms of trade and the maintenance of a sizeable net transfer of financial resources to the region.

One striking change in the Latin American and Caribbean countries' foreign trade in recent years has been the growing importance of intraregional trade. These flows have increased substantially since 1990, nearly doubling their share of the region's total trade. However, in 1994, this proportion rose much more slowly than in previous years, mainly because Argentina's imports from other countries of the region did not grow as fast as before. On the other hand, since Brazil's imports snowballed in the second half of the year, its purchases from other Latin American countries have probably increased significantly. Trade among the Southern Common Market (MERCOSUR) countries and between them and Chile, spurred by free trade and integration agreements, accounted for the bulk of intraregional trade flows. Trade between Colombia and Venezuela had also been considerable, but declined sharply in 1994 owing to Venezuela's economic crisis. Trade among the Central American countries has rebounded in recent years, after plummeting in the 1980s, but lost momentum in 1994 (see box 2).

The value of the region's merchandise exports rose by 14%, reaching US$ 152.8 billion, as its rate of expansion quickened after the moderate increases of 1992 and 1993. This behaviour echoed the favourable pattern of 1987-1990, when external sales had increased at a high average rate. The 1994 increase reflected bigger export volume (8.3%) and, to a lesser extent, a rise in unit values (5.6%) (see table A.9).

The region's export performance was fairly homogeneous; six countries –Bolivia, Chile, Colombia, Ecuador, Nicaragua and Peru– achieved sizeable increases (20% or more), while 10 others –Argentina, Brazil, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Uruguay and Venezuela– boosted their exports by 8% to 19%. Only Haiti saw a decline in the value of its exports, which plunged by more than 40%. The expansion of Latin American exports in 1994 was driven both by commodities and by manufactures or non-traditional products, though patterns in different countries varied considerably.

Argentina's exports grew substantially (16%) after making modest gains in previous years. For the first time since 1990, the rise in the physical volume of exports was proportionally bigger than the rise in output, primarily because of increased foreign sales of manufactures. International prices of agricultural products and some industrial raw materials rallied, but petroleum prices fell further. In the aggregate, the export price index seems to have risen, but only slightly; in other words, the increase in export value is largely attributable to the increase in volume. Among agricultural products, strong upswings were observed in exports of oilseeds, while those of cereals, fruits and fishery products fell in the first half of the year. Most manufactures exports rose (stimulated *inter alia* by the tax refund system), especially those of transport equipment, electrical equipment and leather goods.

Brazil's external sales increased by nearly 12%, reaching an all-time high of US$ 43.3 billion. This improvement stemmed primarily from an upturn in sales of semi-manufactures, which grew by more than 20%, followed by commodities and, lastly, manufactures. In particular, coffee and soya products accounted for nearly half the expansion of exports, but as a result of higher prices for those commodities rather than larger export volume. The expansion in raw tobacco and cellulose exports also reflected higher international prices. The more modest increase in manufactures exports is attributable to the growth of the domestic market and the overvaluation of the local currency (see table A.9).

The value of **Mexico**'s exports grew by 14%, significantly outstripping the preceding year's 9% increase and the 1992 rate of only 2.5%. This improved performance was made possible by a 20% expansion in non-oil exports, attributable primarily to vigorous growth in sales of manufactures. Meanwhile, petroleum revenues slid by more than 5% because of a slight dip in the volume exported and a drop in the price of Mexican crude oils. Manufactures exports continued to be led by the automotive industry. Increases were also observed in sales of data processing equipment, machine parts and components, wiring components and textile fibres.

In **Chile**, the combination of stronger external demand and rising international prices led to a 25% upsurge in the value of exports, following the preceding year's slump. The export sector thus reverted to its expansive pattern of recent years, which yielded an average annual increase of 12% between 1985 and 1992. Prices for copper and cellulose –which, together, make up nearly half of Chile's total exports– recovered substantially. The price of copper, which in 1993 had hit its lowest level since 1987, began to climb early in the year and gained unexpected momentum in the last six months, with the result that its average level topped the 1993 price by some 20%. Total export volume rose by 14% as shipments of copper and non-traditional exports grew rapidly.

Exports from **Colombia** expanded quickly (20%), improving on their modest performance of the preceding two years, to approach some US$ 9 billion. Prices for the country's two main export commodities fluctuated widely in the international market. Although the price of petroleum rose by 30% in the first seven months of the year, it lost half of that gain in the succeeding months, with the result that its annual average was lower than in 1993. Likewise, coffee prices peaked in September at their highest level in eight years, but lost about 40% of that increase by December. Meanwhile, non-traditional exports, especially manufactures, continued to climb steadily.

Peru's exports grew by 23% to reach US$ 4,250 million, led by an increase in the volume of traditional mining, agricultural and fishery exports. The 7% rise in unit value was accounted for by mining exports, since other commodities did not fare well in the international market. **Venezuela**'s exports grew by 10% in 1994

Box 2

THE PROGRESS OF INTEGRATION AND RECENT TRENDS IN INTRAREGIONAL TRADE

At the beginning of the 1990s, the regional integration process entered a phase that was clearly distinct from that of previous decades. In the 1980s, traditional integration schemes (Andean Group, Central American Common Market and Caribbean Community) were stalled by the effects of the external crisis and the obsolescence of the existing model of integration. The bilateral agreements signed at that time in the framework of the Latin American Integration Association (LAIA) were equally ill-equipped to support reciprocal trade between the signatory countries.

Judging by recent developments, the integration process is making great strides and is rapidly approaching levels of interrelationship that will provide a solid foundation for future progress. On the one hand, trade and investment flows among the countries of the region have displayed extraordinary growth. On the other, integration agreements among various groups of countries have proliferated, and are very different from those inherited from the past. These second-generation agreements already number about 30, and generally seek the effective liberalization of most of the countries' trade within unusually short periods of time.

Various factors have helped to shape these new circumstances. They include the widespread return to democratic regimes, which has facilitated closer relations between countries; the gradual recovery from the most devastating effects of the external debt crisis; and the liberalization of economies in general and trade regimes in particular.

As shown by the table below, intraregional exports (within the integration schemes listed) grew rapidly in the first four years of this decade, tripling within the Andean Pact and doubling within LAIA and the Southern Common Market (MERCOSUR), while exports to third countries were relatively sluggish. Preliminary data for 1994 suggest that the growth of intraregional trade has slowed recently, but that only in the case of the Central American Common Market (CACM) does this seem to have reduced the relative weight of intra-subregional trade.

In this new phase, the first sign of a revival in intraregional trade may have been the series of agreements concluded between Argentina and Brazil beginning in 1986, which led to the formation of MERCOSUR in 1991. In 1995, MERCOSUR will finally meet its prime objective of forming a customs union among its four member countries, though in a still-imperfect form. That is, the countries will have liberalized the bulk of their reciprocal trade, and will introduce a common external tariff (CET). This customs union is still imperfect because the CET will not apply to certain (albeit relatively short) lists of exceptions.

In this way, the countries will form an integrated market of 200 million people, or 46% of the Latin American population,[1] covering 59% of the region's land area, with a gross domestic product of nearly US$ 700 billion –49% of the regional total– and US$ 102 billion in world trade (exports plus imports). In other words, they will create an integration scheme which accounts for roughly half the value of Latin America's main economic indicators, and which will therefore have unmistakable potential and drawing power. For the time being, trade among the four countries has been vigorous, concentrated mainly in the bilateral relation between Argentina and Brazil.

The Andean Group has made similar progress since the late 1980s, to the extent that Bolivia, Colombia, Ecuador and Venezuela have already formed a customs union, which will be joined by Peru in 1995. In late November 1994, the five countries reached final agreement on a CET, which will go into effect on 1 February 1995. As shown in the table, intra-subregional trade is rapidly increasing its share of exports, initially led by the burgeoning trade between Colombia and Venezuela, but bolstered recently by Ecuador's entry into the customs union and Peru's economic liberalization.

Reciprocal trade within CACM has also made an impressive recovery from its depressed levels of the 1980s, so that today these countries boast the highest trade index of all the groupings. A subgrouping formed within CACM, consisting of El Salvador, Guatemala, Honduras and Nicaragua, has operated as a customs union since mid-1993. It has also made significant progress towards the free flow of services, capital, people and vehicles. Costa Rica and Panama are planning to incorporate themselves gradually into this process.

In the case of the Caribbean Community (CARICOM), for which 1994 figures are not yet available, progress has been slower because more than one member country has encountered difficulties in implementing the customs union agreement. These problems are due to the member countries' more gradual liberalization with respect to international trade, their complex external situation and the heterogeneous composition of the grouping, which comprises the subgrouping known as the Organization of Eastern Caribbean States (OECS). As a result, reciprocal trade has stagnated at its level of the late 1980s.

In mid-1994, following lengthy negotiations, Colombia, Mexico and Venezuela formed another subregional grouping, known as the Group of Three (G-3), whose aim is to establish a tripartite free-trade area within 10 years. The agreement is based on solid grounds, such as the large size of the countries involved, their geographical proximity and growing convergence in the orientation of their economic policies. The notable increase in trade between Colombia and Venezuela since 1992 is also an important asset.

Also of note is the growing number of second-generation bilateral agreements spreading throughout the region. In general, they seek to liberalize trade in most items through lists of automatic tariff cuts to be implemented in the relatively short term, although some still opt for negotiated liberalization. In this way, an increasingly intricate constellation of regional, subregional and bilateral agreements is being created, which will, in time, require careful efforts towards convergence, in order to preserve and consolidate the benefits of regional integration.

INTRAREGIONAL AND TOTAL EXPORTS, 1990-1994

(Billions of dollars and percentage shares)

	1990	1991	1992	1993	1994 [a]
LAIA					
- Intraregional	12.2	15.0	19.4	23.6	26.3
- World	112.7	110.6	115.7	122.2	134.6
LAIA/World	10.8%	13.6%	16.8%	19.3%	19.5%
Andean Group					
- Intraregional	1.3	1.8	2.2	2.9	3.5
- World	30.8	28.6	28.1	28.5	29.2
Andean Group/World	4.1%	6.2%	7.9%	10.1%	11.9%
MERCOSUR					
- Intraregional	4.1	5.1	7.2	10.0	11.4
- World	46.4	45.9	50.5	54.3	59.7
MERCOSUR/World	8.9%	11.1%	14.3%	18.5%	19.1%
CACM					
- Intraregional	0.6	0.7	0.9	1.1	1.2
- World	3.9	4.0	4.7	5.1	5.8
CACM/World	16.0%	17.4%	19.8%	22.4%	20.8%
CARICOM					
- Intraregional	0.4	0.4	0.5	0.6	na
- World	3.9	3.8	4.1	4.3	na
Latin CARICOM/World	12.6%	11.6%	11.6%	12.8%	na
Latin America and the Caribbean [b]					
- Intraregional	16.0	19.3	24.4	29.2	32.3
- World	122.0	120.3	127.6	134.9	148.4
L.A. & C./World	13.1%	16.0%	19.2%	21.7%	21.8%

Source: ECLAC, on the basis of official data.
[a] Estimates based on partial data.
[b] Includes LAIA, CACM, Bahamas, Barbados, Belize, Dominican Republic, Guyana, Haiti, Jamaica, Panama, Suriname and Trinidad and Tobago.
NA: Information not available.

[1] In this context, Latin America is defined as the 11 countries members of LAIA and the six Central American countries.

as a result of mutually offsetting trends. While petroleum sales were affected by the decline in international market prices, whose annual average was slightly lower than in 1993, an increase in shipments more than made up for this deterioration. Non-traditional exports, for their part, made further progress as the situation in the domestic market remained problematic. The value of these exports rose by 16%, buoyed by the Colombian import boom and higher aluminium prices.

Bolivia also enjoyed strong export growth (27%). Non-traditional and mining exports stood out, though the increase was spread across most product categories. Among the mining exports that recorded upturns were gold, silver and tungsten, while soya beans, jewellery, wood and oil expanded among non-traditional exports. **Ecuador**'s foreign sales recovered substantially from their decline the preceding year, owing to various factors. On the one hand, the higher volume of petroleum exports nearly offset their lower price, while both the volume and the price of coffee exports increased. On the other, higher shrimp prices more than offset a drop in export volume. Sales of other agricultural and industrial products, mainly to the countries members of the Andean Group (particularly Colombia), expanded as well, while banana exports revived after their 1993 decline.

Exports from **Paraguay** grew by only 2%, as international prices of the main traditional exports improved only slightly and export volume rose very little. The country's trade with its MERCOSUR partners continued to expand, accounting for a very high proportion of Paraguay's recorded external trade; this share is substantially higher if unrecorded border transactions are also considered. In **Uruguay**, more favourable conditions in the international market and stronger demand in Brazil following the introduction of the Real Plan, which substantially improved its competitive capacity, resulted in significant growth (12%) in the value of merchandise exports, despite the small increase in unit value. The expansion was largely concentrated in traditional products, particularly beef and wool. Non-traditional exports, in turn, made a strong comeback in the second half of the year. The rapid growth of sales to Brazil in the last six months of 1994 made that country Uruguay's biggest customer, outstripping Argentina.

The value of exports from the Central American and Caribbean countries for which information is available rose by about 10%. Excluding Panamanian re-exports from the Colón Free Zone, the increase in these countries' foreign sales amounted to 12%, an improvement over previous years, since export value grew by only 1% in 1992 and 8% in 1993. The 1994 expansion was due primarily to the rise in prices for those countries' commodity exports, such as coffee and, to a lesser degree, sugar. In addition, trade among the Central American countries has been bolstered by the consolidation of their integration arrangements.

Costa Rica's merchandise exports received a strong boost from the rise in international coffee prices, though that effect was partially offset by the retention of 20% of the country's exportable supply in accordance with an agreement reached by the Association of Coffee Producing Countries. Other Costa Rican exports showed mixed results. Bananas, which are still the leading traditional export, suffered a 9% drop in sales, while non-traditional products improved on the dynamism they had exhibited in 1993, except in the case of *maquila* activity, which more or less stagnated. The 13% increase in **El Salvador**'s external sales, though high, fell short of the 25% growth recorded in 1993. Despite the considerable rise in international coffee prices, the value of traditional exports did not increase as fast as that of non-traditional exports. On the one hand, sugar and shrimp sales dwindled; on the other, the volume of coffee exports up to September was 30% less than the amount sold during the same period the preceding year. After the 1993 boom in sales to the Central American market, exports to the subregion expanded only 10% owing to weak demand in neighbouring economies, particularly Honduras and Nicaragua.

The growth of **Guatemala**'s exports mainly reflected higher international prices, since export volume increased only moderately. Sales to Central America rose by 10%, while *maquila* sales increased by 12% and other non-traditional exports, by 10%. The 12% rise in merchandise exports from **Honduras** was entirely attributable to a price increase of nearly 20%, since export volume contracted by 6%. Once again, the volume of banana exports declined in the face of a slump in external demand in the European market, which also helped to depress prices. The value of foreign sales of shrimp, which have flourished in recent years, took another upturn as a result of both volume and price increases. However, the country could not take advantage of higher coffee prices by boosting export volume because the preceding year's output had been lowered in response to the drop in international prices at that time. **Nicaragua**'s merchandise exports continued to gain in value (24%) as coffee exports doubled their contribution owing to good prices and higher volumes.

Panama saw its merchandise exports slacken as a result of dwindling foreign sales of meat, coffee, bananas and clothing. Imports of crude oil and exports of petroleum products were also depressed because of problems with refinery operations. Re-exports showed a bigger increase, supported by the recovery of the Latin American economies in a climate of trade liberalization which has bolstered activity in the Colón Free Zone.

The value of goods exported from the **Dominican Republic** rose by 12% as external sales of minerals, coffee and cocoa increased, while those of raw sugar, tobacco and furfural slumped. Exports from **Haiti** continued to plunge, shrinking to one fourth of the value they had reached three years earlier, as a consequence of the trade embargo, which was not lifted until the end of the year.

For the fifth straight year, the value of the goods imported by Latin America and the Caribbean expanded, reaching US$ 171 billion as a result of a 15% increase over 1993. The volume of imports rose by 12% and their unit value, by nearly 3%. The expansion was facilitated and even stimulated by large inflows of capital. The biggest increases were observed in Argentina, Brazil, Colombia, Mexico, Peru and Uruguay, with gains of 18% or more in relation to 1993. Imports to Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Nicaragua, Panama and Paraguay also grew quickly, by 6% to 9%. Bolivia, Guatemala and Honduras recorded more moderate import growth, while Haiti and Venezuela drastically reduced their imports. About 90% of the total region-wide expansion was accounted for by the increases recorded in three countries: Mexico, with US$ 9.6 billion; Brazil, with US$ 6.3 billion; and Argentina, with US$ 3.9 billion. In contrast, Venezuela's imports plummeted more than three times faster than in 1993, by US$ 3.3 billion (see table A.10).

Imports of capital goods made the biggest gains, driven by a surge in investment in several countries of the region. Foreign purchases of consumer and intermediate goods also grew appreciably, while fuel imports slackened owing to the drop in oil prices. The countries that boosted their imports of capital goods were led by Argentina and Peru, with increases of around

50%, and Brazil and Ecuador, with smaller increases. However, imports of capital goods contracted in Bolivia, Guatemala and Nicaragua.

After moderating in 1993, the expansion of **Argentina**'s imports gained fresh vigour (25%), mainly because of copious purchases of capital goods, though intermediate and consumer goods also increased considerably. Among the sectors that imported equipment were the communications and transport industries, as well as manufacturing. **Brazil** also witnessed a strong upswing in imports (24%), which brought the total to US$ 3.2 billion, as demand revived in response to exchange-rate appreciation and the more liberal import regime introduced in previous years. These trends intensified when the third stage of the Real Plan was launched in July, since the new currency was revalued by over 15% in nominal terms and tariffs were cut still further to alleviate domestic supply problems. All categories of imports expanded except petroleum and petroleum products, which fell by more than 5% because of the decline in international prices. The value of **Mexico**'s imports, which had moderated its rapid growth in 1993, picked up speed again in all three categories of goods in 1994, with increases of about 20%. The fastest-growing items were those purchased by the automotive industry, as well as parts and components for unspecified industries, data processing equipment and parts, fresh and chilled meats and electric power generators and transformers.

Chile recorded a 7% increase in the value of imports. This slow-down did not begin until the second half of 1993, since the expansion had amounted to 20% in the first half. The adjustment measures implemented in mid-1993 to hold down the growth of domestic spending were a decisive factor in this regard. **Colombia**'s imports rose steeply (22%), though without matching their growth rates of 1992 and 1993, which had been 33% and 51%, respectively. External purchases amounted to US$ 11 billion as a result of the liberalization policy introduced in previous years, the downturn in the real exchange rate and the maintenance of rapid economic growth. **Peru**'s imports received a strong impetus from economic recovery, rising to US$ 5.5 billion and topping their 1993 level by 36%. In **Venezuela**, imports fell sharply as the economy sank deeper into recession and exchange controls were imposed, declining by an estimated 30% despite the use of deferred payments and import credits to mitigate the scarcity of foreign exchange, particularly in the third quarter.

Bolivia's imports grew by just over 3%, with a marked decrease in purchases of capital goods, which was offset by an increase in imports of consumer goods. This behaviour reflected the fiscal adjustment and the decline in investment. **Ecuador** recorded a 14% expansion in imports, which was comparable to the preceding year's increase, with especially high growth in consumer durables, industrial raw materials and transport equipment. **Paraguay** increased its imports by 7%, or somewhat more than in 1993. Meanwhile, the value of **Uruguay**'s imports rose by 23%, accelerating significantly in relation to 1993. Consumer and intermediate goods were the fastest-growing foreign purchases. Among consumer goods, notable increases were observed in imports of food and beverages and of household appliances. Imports of capital goods also rose, though at a slower rate (around 10%).

In the countries of Central America and the Caribbean for which information is available,, the value of imports rose by 6%. Five countries of this group had rates of between 6% and 9%. Guatemala and Honduras showed slight increases, whereas Haiti's imports declined again. In **Costa Rica**, merchandise imports rose by 8%, a much slower rate than in previous years. The relative slow-down in economic activity, lower income from private capital to finance imports, and less domestic credit explain the smaller rate. **El Salvador's** merchandise imports grew by 9%, prolonging the deceleration that began the year before, after expanding notably in 1992. Imports of most items increased; fertilizer and construction goods showed greater demand, while oil purchases declined. As in 1993, transport equipment purchases made the biggest impact on capital goods imports. **Guatemala's** imports rose by 2%, but with considerable differences between the distinct categories. Thus, consumer goods grew the most (11%), followed by raw materials (3%). Capital goods purchases, to the contrary, contracted by 9%, reflecting the sluggishness in investments. **Nicaragua's** imports rose again (9%), after falling the year before, reflecting a slight improvement in the economy's performance, with a modest reactivation, export growth, growing capital inflows, and an increase in international reserves.

Panama's merchandise imports for domestic activity showed sustained growth (10%), stimulated by the tariff liberalization in effect since the year before. Capital goods, foodstuffs and intermediate goods were especially important, with increases of around 15%. The value of the **Dominican Republic's** merchandise imports rose by 6%. Even though more oil was bought, it cost virtually the same as the previous year. Other imports increased, such as automotive vehicles, pharmaceutical products, and industrial equipment and machinery. **Haiti's** imports continued to plummet, after contracting sharply during the previous biennium due to the political crisis. The termination of the embargo at the end of November has yet to reverse this trend.

The terms of trade of the region as a whole rose by 2.8% in 1994, due to the increase of 5.6% in the unit value of exports, which surpassed the rise in unit value of imports, which was only 2.7%. However, the terms of trade for Latin America and the Caribbean was 11% below that of 1990 and 29% lower than that of 1980 (see table A.11). Terms of trade rose in most of the economies of the region, falling only in Paraguay, Uruguay and Venezuela, and remaining the same in Argentina. Central America had the biggest gains, where the sharp rise in coffee prices contributed to the strong recovery of the terms of trade, along with the drop in international oil prices, since all these countries are dependant on oil imports.

Colombia's terms of trade also rose because of the robust upswing in coffee prices, but they were negatively affected by the decline in oil prices. In any case, the terms of trade grew considerably, by almost 13%. Brazil also improved its terms of trade, because of coffee prices and other basic or semi-industrialized products, such as soya, orange juice and cocoa, while being favoured by the drop in oil prices as a net importer. The rise in metal prices led to improved terms of trade in Bolivia, Chile and Peru. The 1% decline in Venezuela's terms of trade was mostly due to the deterioration of oil prices and to the rise in prices for imports. However, Mexico, another large oil exporter in the region, managed to have a positive balance, since the drop in oil prices was more than offset by the rise in prices for other commodities. Ecuador showed a similar trend, although with a somewhat lower rise in its terms of trade. Uruguay's fell slightly, since prices for its exports barely rose.

The purchasing power of the region's merchandise exports (defined as the volume of exports adjusted by the terms of trade, which is the same as the value of exports deflated by the unit value of imports) grew by 11%, somewhat more than the growth

Box 3

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA): FIRST IMPACT ON MEXICO AND CENTRAL AMERICA

The North American Free Trade Agreement signed by Canada, United States and Mexico, which took effect 1 January 1994, includes provisions on reciprocal liberalization for goods and services and commitments with respect to conflict resolution and rules of origin. It also includes elements that are unusual in free trade agreements, such as those dealing with the environment and labour.

Trade between the three member countries increased before NAFTA, but much more so after it came into effect,[1] although the balance of trade tends to be unfavourable to Mexico. In the first quarter of 1994, Mexico's trade deficit climbed to US$ 8,858 million, 30% higher than for the same period the year before.

However, NAFTA is more than an instrument for trade liberalization; it has had a positive effect on other variables. The most interesting example is foreign direct investment (FDI) flows to NAFTA members, which have expanded tremendously. FDI reached US$ 3.3 billion in the first half of 1994 (excluding investments in stock, which totalled US$ 3.7 billion), a 25% increase over the same period the year before.

As a negotiated agreement binding on all its members, NAFTA has the main advantage of becoming a sure, transparent, predictable instrument of reciprocal trade between countries whose trade is already significant. It is not a strictly promotional instrument for generating trade, but rather a mechanism that is going to facilitate or render more expeditious and regulate a pre-existing trade with potential for expansion.

Powerful obstacles remain to advancing towards free trade between the partners. During the transition period towards complete liberalization –15 years for some sectors– NAFTA will function as a mechanism to administer trade that will create added administrative burdens for the partners' customs and trade inspection systems. In addition, the possibility that technical regulations, sanitary controls and phytosanitary and animal husbandry provisions, or local environmental legislation become technical trade barriers is another potential cause for concern, since frameworks for these aspects have yet to negotiated multilaterally.

Already in the first months of implementation, trade operators in Canada, the United States and Mexico have claimed that certain national authorities in the three countries may be using this type of measure to limit, slow down or control the expansion of trade flows in certain sectors. If the member countries so decide, restrictive agreements or quotas can be adopted within the framework of NAFTA, with the net effect of diversion, limitation or control of amounts traded.

The formation of a free trade zone in North America, whose implications are still not totally clear, has led the countries of Central America to look for ways to negotiate or achieve treatment similar to Mexico's in NAFTA on the part of its main trading partner. The main objective is to be included in this process and to limit the risk of trade diversion and investments from Mexico as a potential competitor. Mexico's share in United States imports rose from 6.72% during the first seven months of 1993 to 7.31% during the same period in 1994, and the share of a group of Central American and Caribbean countries[2] declined from 1.28% to 1.23%. It cannot be inferred from this, however, that trade was diverted to the detriment of the small countries. These countries do not lose position in the markets in which they participate.[3] What is happening is that the products they export are losing relative importance.

It should be mentioned that things that have yet to happen could take place in the future. The impossibility of predicting with certitude changes in flows of foreign direct investment creates doubts about future trade flows.

Mexico's entrance into NAFTA changes the exceptionally privileged situation Central America had for exporting to United States markets, thanks to the Generalized System of Preferences and the Caribbean Basin Initiative. With the implementation of NAFTA, there is a perception that Central America needs new trade agreements with the United States in order to avoid trade and investment diversion towards Mexico.

The most attractive, but less probable, option for Central America in the short term is to be incorporated into NAFTA. That would give Central America permanent access –not subject to unilateral concessions– to a large market. Besides stimulating trade, it would create attractive conditions for foreign direct investment. In any case, entrance into NAFTA would entail costs for Central America, especially stricter rules of origin (50%, as opposed to 35% required of countries in the Caribbean Basin Initiative), increased vulnerability to anti-dumping measures and, over the medium term, less benefits for the *maquiladora* products containing cloth not made in the United States.

The most feasible alternative in the short term is to sign an interim trade programme, in order to obtain the same conditions as Mexico in NAFTA for the Caribbean Basin Initiative countries' clothing industry. This programme would be in effect during the period needed for the countries to meet the conditions for full incorporation into NAFTA. The interim trade programme could be renewed each year, be non-contractual and conceded unilaterally by the United States, while its financing is being secured. The precarious conditions of this programme and its limited scope indicate that Central America's efforts to improve its competitiveness independently of new trade agreements could be more effective in attracting foreign capital or preventing it from emigrating to Mexico. To the advantages it already has, mainly inexpensive manpower, others should be added: improved infrastructure, a legal framework for more expeditious procedures and security for foreign investment, and a special effort to raise the skill level of the labour force. The search for new niches for Central American industry is feasible without belonging to NAFTA: as the *maquiladora* industry is gradually eliminated in Mexico, pursuant to NAFTA provisions, new spaces may arise for the Central American *maquiladora* industry.

SHARE AND GROWTH RATES OF EXPORTS TO THE UNITED STATES

	Share		Growth		
	1994	1993	1994-1993	1993-1992	1992-1991
Total			**11.6**	**9.5**	**8.5**
Canada	19.45	19.54	11.1	12.5	8.0
Mexico	7.31	6.72	21.4	13.9	11.5
Guatemala	0.19	0.22	-3.1	9.8	20.2
El Salvador	0.09	0.09	16.6	25.6	26.7
Honduras	0.16	0.16	11.0	17.1	41.4
Nicaragua	0.03	0.02	41.9	81.5	15.3
Costa Rica	0.26	0.27	5.1	10.0	22.6
Panama	0.04	0.04	16.4	6.8	-10.0
Haita	0.01	0.03	-45.8	44.0	-62.3
Dominican Republic	0.46	0.46	11.0	12.7	19.7
Total for small countries	1.23	1.28	7.2	14.0	17.3
Rest of the world	72.00	72.47	10.8	8.3	8.3

Source: Calculated on the basis of data from the Bureau of the Census, Department of Commerce.
Note: The first three columns refer to January-July of each year.

[1] Between January and June 1994, Mexico's trade with the United States increased by 17.5%, while trade between Mexico and Canada grew by 33%.
[2] Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Haiti and the Dominican Republic.
[3] See ECLAC, "Central América y el TLC: Efectos Inmediatos e Implicaciones Futuras", ECLAC-Mexico, October 1994.

in volume, given the moderate recovery in the terms of trade for the whole region (see table A.13).

An increase in the purchasing power of exports was widespread, since 17 of the 19 countries for which information is available showed rises (with Haiti and Paraguay the exceptions), and in most cases the increase was significant. However, there were differences with respect to the determinant factor of the expansion. In 10 countries (Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Nicaragua, Peru, Uruguay and Venezuela), the rise in the purchasing power of exports was almost exclusively due to the increases in physical volume. In Brazil and Nicaragua, expansion came form a combination of more volume and better terms of trade. In six other countries (Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala and Honduras), it was due to a significant recovery of the terms of trade. In Central America and Colombia, the rise in the purchasing power of exports was due to the spectacular jump in coffee prices, while the volume of external sales either grew only moderately or contracted. As for Panama, improved terms of trade and an increase in volume were equally important factors.

The deficit on the balance of merchandise increased by 19%, going from US$ 15.3 billion in 1993 to US$ 18.9 billion in 1994 (see table A.14). This widening of the trade gap was mostly due to larger deficits in Argentina, Mexico and Peru and the sharp drop in Brazil's trade surplus, which were partially offset by better balances in Chile and Venezuela, with Chile going from a negative to a positive balance and Venezuela expanding sharply its trade balance (see table A.14).

The trade balance for goods and services was more favourable than for goods alone, since the deficit on non-factor services declined by 12%. That was basically due to a rise in Mexico's net income of US$ 600 million and the reduction (by US$ 700 million) of Venezuela's negative balance. That, however, was partially offset by larger net revenues in Argentina and Brazil. Mexico's expansion of services was due to the excellent balance of the *maquiladora* industry, which records its net revenue under services. The decline in Venezuela and the increases in Argentina and Brazil are explained by changes in transport services, closely linked to merchandise imports, which plummeted in Venezuela and expanded strongly in Argentina and Brazil (see table A.15).

c) The current account and external financing

Latin America's deficit on the current account of the balance of payments increased in 1994, although less than the year before. The negative balance on this account increased significantly in 1991 to US$ 19 billion, and jumped to US$ 37 billion in 1992, and again to US$ 46 billion in 1993. It continued its upward trend in 1994, reaching US$ 50 billion. This deterioration reflects the trend in the trade balance and an increase in the negative balance of Latin America and the Caribbean's profits and interests (see table A.15). After declining in 1991 and 1992, this negative balance of profits and interests increased in 1993, going from US$ 31 billion to US$ 32.9 billion and reaching US$ 35.6 billion in 1994. The main differences with respect to the previous year were increases in net factor payments: US$ 1.2 billion in Mexico, US$ 900 million in Brazil, US$ 600 million in Argentina, and US$ 200 million in Colombia. The countries of Central America and the Caribbean, to the contrary, reduced their negative balances (see table A.15).

The increase in the negative balance on Latin American and Caribbean factor services reflects the net effect of interest payments and the continuous outflow of profits. Interest accrued on the external debt rose, partially because of the rise in international dollar interest rates. However, the impact of those upswings in interest rates was still not that great; their full effect will only be felt next year, since interest rates have been climbing slowly and only began to rise more rapidly at the end of the year. A rise in interest rates has a delayed effect on the amount of interest accrued. Also, remittances of profits on foreign direct investment increased, as a consequence of the decline in real exchange rates and the greater weight of foreign investment in the region.

Virtually all the deterioration of the balance on current account was due to Argentina, Brazil and Mexico, partially offset by Chile's lower deficit and Venezuela's change of sign. The most striking increase in the deficit was Mexico's, from US$ 23.5 billion in 1993 to US$ 28.1 billion in 1994. Those of Argentina and Brazil also grew, by US$ 3 billion and US$ 2.4 billion, respectively. Venezuela's change of sign meant entailed a shift from a deficit of US$ 1.8 billion to a healthy surplus of US$ 4.1 billion. Chile, in turn, considerably reduced its deficit on current account, from US$ 2.4 billion in 1993 to US$ 600 million in 1994. As a group, the countries of Latin America and the Caribbean showed better balances on their current account in 1994, with huge reductions in the deficits of the Dominican Republic and Guatemala and a rise in Panama's.

For the fourth year in a row, the region continued in 1994 to receive an abundant inflow of capital, close to US$ 57 billion, equivalent to 5% of gross domestic product. This, however, was a decline of US$ 8.5 billion with respect to 1993, due to a sharp drop in bond issues, especially in the second quarter. It should be mentioned that bond issues dropped sharply during the second quarter of 1994 throughout the world, mostly because of the rise in interest rates in the United States. However, other kinds of capital flows, including direct investment, supplier credit and loans from multilateral agencies increased in 1994.

In a context of turbulent international financial markets and political and economic problems in some countries, capital flows to the region were sustained reasonably well. Indeed, declines in flows were limited to countries with temporary problems, and thus were not general. A large part of the decline in capital flows during 1994 was concentrated in two countries: Mexico and Venezuela.

Mexico recorded in 1994 a net inflow of US$ 19.5 billion, US$ 10 billion less than in 1993, due to domestic political instability, the rise in United States interest rates, and uncertainty in financial markets. The decline consisted essentially of sharp drops in portfolio investment and other capital, since direct investment increased notably. The stock market's net flows remained the same as the year before, US$ 10.7 billion. However, money market securities in pesos –mostly treasury certificates (CETES)– plummeted from almost US$ 7 billion in 1993 to US$ 2.6 billion in 1994. Money market securities denominated in foreign currency also declined appreciably from US$ 11 billion at the end of last year to US$ 6 billion at the end of this year. Direct investment, to the contrary, soared (67%) from almost US$ 5 billion in 1993 to US$ 8.3 billion this year. Thus, Mexico continued to be the main recipient of capital flows in the region, capturing more than 30% of external resources.

Venezuela had a net outflow of capital, estimated at US$ 4.5 billion, basically due to the country's economic instability, with crises in the banking system and changes in economic policy. A large percentage of that amount corresponds to short-term

credit and errors and omissions (mostly capital flight), especially during the first half of the year. It should be noted that the establishment of exchange controls in the third quarter of 1994 reversed the downward trend on the capital account by forced arrears in interest and principal payments and regulations on the allocation of foreign currency.

In contrast, several countries saw their capital inflows increase during 1994. This increase was particularly noticeable in Peru, with a net inflow of US$ 6 billion, a historic high, representing almost 12% of GDP. Half of these resources were direct investment, and two-thirds came from the privatization of the National Telecommunications Company and the Peruvian Telephone Company. Colombia recorded an unprecedented inflow of almost US$ 3.1 billion, half of which was direct investment. It is noteworthy that this huge flow took place in a context in which measures were introduced to reduce incentives to short-term capital inflows. Paraguay also recorded a large inflow of capital in 1994, reaching US$ 1,050 million.

Brazil, a country with considerably improved prospects, recorded in 1994 –especially from the second quarter onward– higher capital flows than in 1993, reaching US$ 13 billion, including almost US$ 2 billion in direct investment, US$ 6 billion in portfolio investment, financing through increasingly important Eurocommercial and medium-term paper, and other minor flows. Net capital flows to Chile increased from US$ 2,850 million in 1993 to US$ 3,150 million in 1994, in a framework of measures designed to discourage certain short-term capital inflows. Direct and portfolio investment were similar, estimated around US$ 1.5 billion each. It is interesting to note that in June of this year foreign direct investment appeared to be heavily concentrated in the mining sector (more than 70%). Argentina, as in the previous biennium, captured US$ 10.5 in external resources, in direct investment, portfolio investment, bank loans and supplier credit. Uruguay this year received practically the same capital flows as the year before, whereas Bolivia and Ecuador showed moderate declines.

The countries of Central America and the Caribbean, as a group, received almost US$ 1 billion less in external resources. The Dominican Republic saw a net outflow of US$ 80 million in 1994, after receiving an inflow of US$ 500 million in 1993. Net inflows to Costa Rica and Guatemala fell by half in 1994, and they remained almost the same as in 1993 in El Salvador and Honduras. Haiti, Panama and Nicaragua were the only countries of Central America and the Caribbean that increased their net capital flows from abroad.

Bond issues in Latin America during the first nine months of 1994 totalled US$ 13.6 billion, a 27% contraction in relation to the US$ 18.7 billion sold in that same period in 1993 (see table A.17). More than US$ 4 billion in bonds were estimated to have been issued during the last quarter of 1994, putting the total bond issue for the year at US$ 17.5 billion. That would be considerably below the level for 1993, but far above that for 1992. It is noteworthy that the fall in bond issues is concentrated in the second quarter of 1994 and that they began to recover during the third quarter of this year. That suggests that the bond market is gradually recovering from the negative impact caused by the first rise in United States interest rates and the events in Mexico and Venezuela. Fourteen Latin American countries participated in the bond market during the first nine months of 1994. Most of these securities were issued by two countries: Mexico, with more than half, and Argentina, with a quarter. The rest were issued by Brazil, Chile, Colombia, Jamaica, Panama, Peru, Trinidad and Tobago, Uruguay and Venezuela, as well as Barbados, Bolivia and Costa Rica, recent entries into this market.

These 1994 Latin American bonds were characterized by: a higher proportion with variable interest rates, owing to the upward trend in interest rates and to the volatility of the markets; larger margins over the reference rates at which borrowers can sell their bonds, which increases their costs; and a decline during the first half of 1994 in the proportion of bonds sold by the private sector, a trend that reversed during the third quarter. That trend and longer maturity terms, especially on Mexico's bonds, are other indications that the bond market is returning to normal behaviour.

Stock purchases in both local and foreign markets provided a new source of foreign capital in 1994, mostly in the United States. Earnings in dollar terms, which were appreciable in 1993, dropped sharply in some countries and even showed losses. Share prices in mid-November of this year, compared with those at the end of 1993, fell in Venezuela (-32%), Argentina and Mexico (-14%), and rose in Brazil (84%), Peru (58%) and Chile (47%), with the weighted average for share prices in Latin America rising by 12%, significantly higher than European markets, which fell by 11%, and also the emerging Asian markets, which rose by only 2% (see table A.19).

Numerous Latin American enterprises continued to sell shares in American Depositary receipts (ADRs) in the United States market, and to a lesser extent, global depositary receipts (GDRs) in the world stock market. During the first nine months of the year, international sales of new Latin American issues (fresh capital) were almost US$ 3.8 billion, a 12% increase with respect to the same period the year before (see table A.13). Mexico was responsible for close to 40% of that amount, and for the rest enterprises in Argentina, Brazil, Chile, Colombia and Peru. Of these countries, large amounts went to Brazil (US$ 900 million), Argentina (US$ 570 million) and Chile (US$ 480 million). Peru, which attracted US$ 130 million during the first nine months of 1994, is awakening a growing interest among investors.

Institutional investors continue to show interest in portfolio investment, but they are paying more attention to the prestige of the enterprises and their liquidity. In recent months, some Latin American enterprises that sold ADRs saw the price of their shares drop considerably. It is estimated that the amount of regional stock sales to foreigners will by the end of the year be at least similar to that of 1993.

Net credit from international commercial banks to the region was negative by US$ 2,250 million at the end of June 1994, according to figures from the Bank for International Settlements. That amount was produced by two opposing movements. On the one hand, in June 1994 Brazil's commercial debt of US$ 64 billion was reduced by US$ 4.4 billion with respect to the end of 1993, due to the implementation of the Brady agreement to reduce external debt; also in the first half of the year, Venezuela's bank loans were reduced by US$ 1,850 million, reflecting the difficulties of the domestic banking system. On the other hand, the level of credit rose during the first half of the year in Mexico (US$ 1.7 billion), Colombia (US$ 930 million), Chile (US$ 500 million) and Argentina (US$ 1,020 million), which also secured a syndicated loan for US$ 500 million during the third quarter of 1994. That syndicated loan could signal the beginning of greater access to this kind of loan for Latin American countries. In fact, the region as a whole obtained US$ 3.6 billion in syndicated loans during the first nine months of 1994, US$ 1.8 billion of which was granted during the third quarter.

The net transfer of resources towards Latin America and the Caribbean continued to be positive for the fourth consecutive year, albeit 35% less than in 1993 (see table A.16). The net transfer of resources was only US$ 21 billion in 1994, as opposed to US$ 32 billion the year before. Most of the reduction in net transfer was in Mexico, Venezuela and the countries of Central America and the Caribbean. Transfers were strongly negative in Venezuela (-US$ 6.2 billion) and the Dominican Republic (-US$ 225 million), while transfers to Mexico declined notably from US$ 18.6 billion in 1993 to only US$ 7.4 billion in 1994. Eight other countries reduced their net transfer, including Guatemala, Bolivia, Costa Rica and Ecuador. Argentina, to the contrary, continued to receive a comfortably positive amount (US$ 6 billion). Peru almost trebled its 1993 transfer, reaching US$ 5 billion, and Brazil reversed its negative transfer in 1993 to US$ 2 billion in 1994.

d) **External debt**

i) ***General trends.*** The external debt of Latin America and the Caribbean grew by almost US$ 30 billion in 1994, reaching US$ 534 billion by the end of the year (see table A.20). This is an increase of 5.8%, a somewhat lower rate than that of 1993. The debt increased mostly because of bond issues for an estimated US$ 17 billion. Bond sales played a key role in the larger economies; in the January-September 1994 period, bonds sold by Argentina, Brazil and Mexico represented 85% of the bonds issued by Latin American countries. Eurocommercial and medium-term paper, syndicated loans and supplier credit added to the debt, as well as exchange rate variations owing to the depreciation of the dollar, especially in relation to the mark and the yen. In other countries, especially in the smaller economies, loans from multilateral bodies and bilateral sources increased their overseas liabilities. On the other hand, Brazil, the Dominican Republic and Ecuador lowered their rate or diminished their indebtedness through debt-reduction operations in the framework of the Brady Plan.

The external debt varied slightly in most Latin American countries. The Dominican Republic, however, reduced its debt by 10%, essentially by restructuring the external commercial debt through the Brady Plan. Only four countries increased their debt significantly. The expansion of indebtedness in Colombia (15%) and Chile (9%) was due to strong growth in private debt, since in both cases public sector external liabilities diminished. The increase in Bolivia's debt (12%), to the contrary, came mostly from the public sector. Argentina's debt also increased by 10%, most of it, apparently, from the public sector. Five other countries, Honduras, Mexico, Nicaragua, Peru and Trinidad and Tobago, increased their external debt by between 4% and 7%, most of it in the public sector. The rest of the Latin American countries showed only minor changes.

The secondary market reacted selectively to events in Mexico and Venezuela and the ongoing process of recovering from a decade of debt crisis. Apart from those two countries, others in the region recorded insignificant changes in the price of their debt in 1994. Between April and October 1994, Brazil, Panama and Peru showed the largest recoveries in the region. The price for the debt of Jamaica (85%), Chile (95%) and Colombia (90%) remained stable throughout the year.

ii) ***The debt burden.*** The Latin American debt burden, as it has since 1987, continued to decline. The coefficient of interest payments, as a percentage of exports of goods and services, remained the same as in the previous biennium, around 20%, which is still high. It should be mentioned that this coefficient was close to 40% in 1982-1983 (see table A.21). In 1994, only six Latin American countries (Costa Rica, Chile, Dominican Republic, El Salvador, Guatemala and Paraguay) had coefficients lower or around 10%, the figure which most analysts consider acceptable. All the others are still above that figure. Six other countries recorded coefficients above or equal to 20%: Nicaragua (110%), Mexico (24%), Brazil and Peru (22%), Argentina and Honduras (20%).

The decline in the ratio between interest over exports in 1994 was the result of a vigorous expansion of exports of goods and services far above the rise in interest payments. External sales went from US$ 170 billion in 1993 to around US$ 195 billion in 1994, while net payments of interest and profits increased from US$ 32.9 billion to US$ 35.6 billion, due to the rise in international interest rates. (The LIBOR rate applied to adjustable external debt rose from 3.5% in 1993 to 3.9% in 1994). The expansion of the external debt, most of which is at adjustable interest rates, and the rise in the cost of intermediation in the case of bonds also explain the increased payments.

Thanks to the moderate expansion of external debt and the strong growth of exports, Latin America improved its debt/exports ratio to 280%, a figure similar to the one the region had before the debt crisis, although still higher than the 1980 figure (250%) (see table A.22).

All the countries of the region, with the exception of Haiti and Paraguay, improved that indicator. Beyond a doubt, Nicaragua and Haiti have such high figures (2,700% and 1,160%, respectively) that they require special attention, including sizable cancellations of external debt. The indicators of Peru (433%) and Argentina (412%) are also cause for concern. Peru is restructuring its commercial debt, which it will probably complete during 1995 in the framework of the Brady Plan. Argentina, although with a high level, has gradually reduced that indicator since 1987, when it was at a record 717%. A group of countries comprised of Brazil, Honduras, Ecuador and Uruguay, has coefficients between 330% and 280%; all these economies have steadily lowered this ratio over the last few years. Mexico has stabilized its coefficient over the last five years around 270%. The following countries have achieved more comfortable debt/exports ratios: Venezuela (222%), Colombia (177%), El Salvador (166%), Dominican Republic (161%), Chile (145%), Costa Rica (123%), Guatemala (97%) and Paraguay (71%).

iii) ***Renegotiation of the external debt.*** In August 1994 the Government of the Dominican Republic terminated the renegotiation of its debt with commercial banks, a process that began in 1993. The agreement combines the normal conditions of the Brady Plan with an added option which allows for even more debt reduction. It applies US$ 1,250 million to the principal and interest arrears. The menu of options with respect to the principal includes: a buyback at 25% of face value, a 30-year discount bond with a grace period and a discount of 35% and an interest rate of 0.81% over LIBOR, and an 18-year par-value bond with a nine-year grace period, and a yield of 3% the first two years, 3.5% the third and fourth years, 4% the fifth and sixth, and 0.81% over LIBOR the following years. The discount bonds are secured by a zero-coupon United States Treasury bond and a renewable interest guarantee; the par-value bonds have no collateral. With respect to interest arrears, 12.5% must be paid in cash and the remainder converted to 15-year bonds with a yield of 0.8125% over LIBOR. By reaching the agreement with private foreign banks in August 1994, the debt was reduced from US$ 1,250 million to US$ 520 million, US$ 329 of which was automatically redeemed with zero-coupon bonds.

In October 1994, Ecuador restructured its external commercial debt in the framework of the Brady Plan, including US$ 4.5 million in amortization and US$ 3.4 billion in interest arrears. The menu of options for the principal includes: a 30-year discount bond with a grace period at a 45% discount and interest rate of 0.81% over LIBOR, and a 30-year par-value bond with a grace period and with interest rates rising from 3% to 5%. Bonds issued by the Government of Ecuador are secured by the zero-coupon United States Treasury bonds. By August 1994, 95% of the creditors had made their option, 58% for the discount bonds and 42% for the par-value bonds. Most of the interest will be paid over 20 years, with 10 years grace and at interest rates of 0.81% over LIBOR. The country financed the restructuring with the collaboration of the International Monetary Fund (IMF), Inter-American Development Bank (IDB) and the World Bank, with which it signed a structural adjustment programme.

At the end of the year, Panama and Peru continued their preparations to restructure their debt with commercial banks in the framework of the Brady Plan. The recognition of a debt with a United States bank by the Peruvian Congress and the withdrawal of legal actions initiated in 1990 by creditor banks against the Government of Peru were key steps in arriving at an agreement.

In 1994, only Ecuador and Guatemala restructured amortizations with the Paris Club, for US$ 390 million and US$ 73 million, respectively.

STATISTICAL APPENDIX

Table A.1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS [a]

Indicators	1987	1988	1989	1990	1991	1992	1993	1994[b]
Gross domestic product at market prices (index, base year 1980=100)	110.6	111.5	112.6	112.9	116.8	120.3	124.1	128.7
Population (millions of inhabitants)	399.4	407.2	415.1	423.1	430.8	438.9	447.0	455.2
Per capita gross domestic product (index, base year 1980=100)	95.6	94.5	93.6	92.1	93.6	94.6	95.8	97.6
Rates of variation								
Gross domestic product	3.2	0.8	1.0	0.3	3.5	3.0	3.2	3.7
Per capita gross domestic product	1.2	-1.2	-1.0	-1.6	1.6	1.1	1.3	1.9
Consumer prices [c]	209.2	776.8	1 212.6	1 191.7	199.7	419.0	887.6	465.4
Terms of trade (goods)	0.4	-1.3	-0.4	-1.6	-7.1	-5.4	-1.2	2.8
Purchasing power of exports of goods	8.0	9.1	2.3	5.0	-2.5	2.4	5.3	11.0
Current value of exports of goods	14.6	14.7	9.7	9.7	-0.7	5.2	5.1	14.3
Current value of imports of goods	12.6	14.0	6.6	15.8	18.2	23.0	8.4	14.7
Billions of dollars								
Exports of goods	88.2	101.2	111.0	121.8	120.9	127.2	133.7	152.8
Imports of goods	67.2	76.7	81.7	94.6	111.8	137.5	149.0	171.0
Trade balance (goods)	21.6	24.5	29.3	27.3	9.1	-10.3	-15.3	-18.2
Balance of profits and interest	-31.3	-34.3	-37.9	-33.1	-31.4	-31.0	-32.9	-35.6
Balance on current account [d]	-10.8	-11.2	-6.9	-3.6	-18.8	-37.1	-46.0	-49.7
Balance on capital account [e]	15.1	5.5	9.9	17.7	38.0	61.7	65.1	56.6
Global balance [f]	4.3	-5.7	3.0	14.1	19.2	24.6	19.1	6.8
Total gross external debt [g]	427.6	419.5	423.1	441.5	456.0	474.1	504.5	533.8
Net transfer of resources [h]	-16.2	-28.8	-28.0	-15.4	6.6	30.7	32.2	21.0

Source: ECLAC, on the basis of official information.

[a] The figures for the gross domestic product and consumer prices refer to the group of countries included in table A.2, except Cuba (23 countries) and table A.5, respectively. The data on the external sector correspond to the 19 countries listed in the table on the balance of payments of Latin American and the Caribbean. [b] Preliminary estimates, subject to revision. [c] Variation from December to December. [d] Includes net unrequited private transfer payments. [e] Includes long- and short-term capital, unrequited official transfer payments, and errors and omissions. [f] Corresponds to the variation in international reserves (of opposite sign) plus counterpart items. [g] See the notes to table A.20. [h] Corresponds to balance on capital account less balance of profits and interest.

Table A.2

LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS DOMESTIC PRODUCT

(Percentages based on values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994[a]	1981-1990	1991-1994[a]
Latin America and the Caribbean[b]	**0.8**	**1.0**	**0.3**	**3.5**	**3.0**	**3.2**	**3.7**	**12.9**	**14.0**
Oil-exporting countries	**2.0**	**0.1**	**4.1**	**4.5**	**3.2**	**1.3**	**2.5**	**15.1**	**11.9**
Bolivia	1.2	3.7	4.8	4.9	2.1	4.3	4.0	-0.1	16.5
Colombia	4.2	3.5	4.0	1.8	3.6	4.9	5.0	43.6	16.2
Ecuador	8.8	0.2	2.0	4.9	3.4	2.2	4.0	20.4	15.2
Mexico	1.2	3.3	4.4	3.6	2.8	0.6	3.0	17.9	10.5
Peru	-8.4	-11.5	-5.6	2.6	-2.3	6.5	11.0	-11.4	18.5
Trinidad and Tobago	-3.1	-0.4	1.9	1.8	-2.3	-3.0	4.0	-19.9	0.3
Venezuela	5.9	-7.8	6.8	9.7	5.8	-0.2	-4.0	4.2	11.5
Non-oil-exporting countries[b]	**-0.1**	**1.5**	**-2.4**	**2.8**	**2.8**	**4.6**	**4.7**	**11.3**	**15.7**
South America	**-0.1**	**1.2**	**-2.7**	**2.8**	**2.6**	**4.7**	**4.8**	**10.9**	**15.9**
Argentina	-2.1	-6.2	-0.1	8.9	8.7	6.0	6.0	-8.7	32.8
Brazil	-0.1	3.2	-4.4	0.2	-0.8	4.1	4.5	18.0	8.2
Chile	7.0	9.6	2.8	5.7	9.8	5.6	4.5	31.2	27.8
Guyana	-2.3	-4.8	-2.7	5.8	7.4	8.0	8.0	-22.4	32.5
Paraguay	6.7	5.9	3.1	2.3	1.7	3.9	3.0	36.6	11.4
Suriname	7.8	4.2	0.1	3.5	5.8	-4.5	...	4.8	4.5[e]
Uruguay	0.0	1.3	0.9	3.2	7.7	1.5	4.5	4.7	17.9
Central America and the Caribbean[b]	**-0.1**	**4.8**	**1.3**	**2.1**	**4.6**	**3.5**	**3.1**	**15.5**	**14.4**
Bahamas	2.3	2.0	4.8	-3.2	1.0	2.4	...	31.2	0.1[e]
Barbados	3.6	3.7	-3.2	-4.3	-4.2	-0.4	4.0	9.5	-5.0
Belize	6.1	13.2	10.2	3.5	9.8	3.8	...	56.0	18.1[e]
Cuba[c]	2.2	0.8	-3.1	-25.0	-14.0	-10.0	...	-3.1	-41.9[e]
Haiti	0.9	1.0	-0.2	-3.0	-14.5	-4.7	-10.0	-3.8	-28.9
Jamaica	2.6	7.0	6.1	0.9	1.4	1.2	1.0	23.8	4.4
Panama	-15.9	-0.2	5.2	9.2	8.4	5.6	5.0	6.3	31.1
Dominican Republic	0.8	11.3	-5.0	0.5	6.8	2.3	4.0	29.9	14.3
Central American Common Market	**1.8**	**3.3**	**2.3**	**2.7**	**5.2**	**4.5**	**3.2**	**9.9**	**16.6**
Costa Rica	3.2	5.5	3.4	2.1	7.3	6.1	4.5	25.1	21.5
El Salvador	1.5	1.1	3.4	3.3	5.3	4.7	5.0	-1.1	19.6
Guatemala	4.0	3.7	2.9	3.5	4.9	3.8	3.5	8.8	16.8
Honduras	4.9	4.7	-0.4	2.3	6.1	6.5	-1.5	25.5	14.1
Nicaragua	-12.4	-1.7	-0.1	-0.2	0.4	-0.9	2.5	-12.8	1.9
OECS countries[d]	**8.3**	**6.1**	**4.7**	**3.3**	**3.9**	**2.3**	**2.7**	**78.7**	**7.7**[e]
Antigua and Barbuda	7.7	6.3	3.5	4.3	1.7	3.4	...	86.5	9.6[e]
Dominica	7.4	-1.1	6.4	2.3	2.8	1.8	...	53.5	7.1[e]
Grenada	2.4	5.8	5.2	3.6	1.2	-0.4	2.5	61.8	6.8
Saint Kitts and Nevis	9.8	6.7	3.0	3.8	3.6	4.0	...	75.0	11.8[e]
Saint Lucia	12.7	8.5	4.4	2.3	7.1	3.1	...	93.5	13.0[e]
Saint Vincent and the Grenadines	8.6	7.2	7.0	3.1	6.5	1.4	3.0	87.0	14.9
Latin America and the Caribbean (excluding Cuba and Brazil)	**1.2**	**-0.2**	**2.9**	**5.2**	**4.8**	**2.8**	**3.4**	**10.4**	**17.2**

Source: ECLAC, on the basis of official information. Figures were converted into dollars at constant 1980 prices.

Note: Totals and subtotals exclude where applicable, those countries for which no information is provided.

[a] Preliminary estimates, subject to revision. Figures for 1994 have been rounded to the nearest ten or five. [b] Does not include Cuba. [c] Refers to total social product. [d] OECS = Organization of Eastern Caribbean States. [e] Refers to the period 1990-1993.

Table A.3

LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT

(Percentages based on values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994[a]	1981-1990	1991-1994[a]
Latin America and the Caribbean[b]	**-1.2**	**-1.0**	**-1.6**	**1.6**	**1.1**	**1.3**	**1.9**	**-7.9**	**6.1**
Oil-exporting countries	**-0.1**	**-1.8**	**2.1**	**2.4**	**1.2**	**-0.6**	**0.6**	**-7.2**	**3.7**
Bolivia	-1.0	1.4	2.4	2.5	-0.4	1.8	1.7	-18.6	5.8
Colombia	2.3	1.7	2.2	0.1	1.9	3.1	3.3	17.9	8.6
Ecuador	6.2	-2.2	-0.3	2.5	1.1	0.0	1.7	-6.6	5.3
Mexico	-0.7	1.4	2.5	1.7	0.9	-1.2	1.3	-4.3	2.7
Peru	-10.2	-13.2	-7.5	0.6	-4.1	4.4	8.9	-28.9	9.6
Trinidad and Tobago	-4.3	-1.2	0.2	0.7	-3.4	-4.0	2.9	-29.9	-4.0
Venezuela	3.1	-10.2	4.2	7.1	3.4	-2.4	-5.9	-19.4	1.7
Non-oil-exporting countries[b]	**-1.9**	**-0.4**	**-4.2**	**1.0**	**1.0**	**2.7**	**2.9**	**-8.5**	**7.8**
South America	**-1.8**	**-0.5**	**-4.4**	**1.1**	**1.0**	**3.0**	**3.2**	**-8.2**	**8.5**
Argentina	-3.5	-7.5	-1.4	7.5	7.3	4.8	4.6	-21.2	26.4
Brazil	-1.9	1.3	-6.2	-1.5	-2.5	2.3	2.8	-3.6	1.0
Chile	5.2	7.7	1.1	3.9	8.0	3.8	2.6	11.7	19.6
Guyana	-2.4	-4.8	-2.8	5.4	6.4	7.0	7.0	-25.8	28.3
Paraguay	3.4	2.7	0.1	-0.6	-1.1	1.1	0.2	-0.8	-0.4
Suriname	6.5	3.3	-1.4	2.3	4.6	-5.6	...		1.1[e]
Uruguay	-0.6	0.7	0.3	2.6	7.1	0.9	3.9	-1.4	15.2
Central America and the Caribbean[b]	**-2.3**	**2.4**	**-1.0**	**0.3**	**2.1**	**1.0**	**0.6**	**-7.9**	**4.3**
Bahamas	0.5	1.1	2.0	-4.8	-0.7	0.7	...	7.7	-4.7[e]
Barbados	3.2	2.8	-3.0	-4.6	-4.6	-0.8	3.6	6.1	-6.4
Belize	3.4	12.2	5.5	0.9	7.0	1.2	...	20.5	9.3[e]
Cuba[c]	1.2	-0.2	-4.0	-25.7	-14.7	-10.7	...	-4.0	-43.4[e]
Haiti	-1.1	-1.0	-2.2	-4.9	-16.2	-6.6	-11.8	-20.6	-34.4
Jamaica	2.1	6.1	6.0	11.9	-0.1	-0.5	-0.9	11.6	10.2
Panama	-17.6	-2.2	3.1	7.2	6.4	3.6	2.9	-13.6	21.6
Dominican Republic	-1.4	8.9	-7.0	-1.5	4.7	0.4	2.1	4.1	5.7
Central American Common Market	**-0.8**	**0.6**	**-0.4**	**-0.1**	**2.3**	**1.5**	**0.3**	**-14.9**	**4.1**
Costa Rica	0.4	2.6	0.7	-0.4	4.6	3.6	2.1	-5.8	10.2
El Salvador	-0.3	-0.8	1.4	1.2	3.0	2.4	2.7	-13.5	9.6
Guatemala	1.0	0.8	0.0	0.6	1.9	0.8	0.8	-18.2	4.1
Honduras	1.7	1.6	-3.4	-0.7	3.0	3.4	-4.2	-8.2	1.3
Nicaragua	-14.5	-4.3	-3.1	-3.6	-3.4	-4.7	-1.3	-33.5	-12.4
OECS countries[d]	**7.5**	**5.3**	**4.1**	**2.5**	**3.1**	**1.7**	**2.1**	**68.2**	**5.8**[e]
Antigua and Barbuda	6.8	5.3	2.6	3.3	0.7	2.4	...	70.8	7.6[e]
Dominica	7.7	-2.0	7.9	2.3	2.8	1.8	...	60.0	7.1[e]
Grenada	2.2	4.9	5.7	3.4	1.0	-0.7	2.1	58.2	5.9
Saint Kitts and Nevis	10.3	7.7	3.0	3.8	3.6	6.5	...	95.8	14.5[e]
Saint Lucia	11.1	7.5	2.4	1.0	5.7	1.8	...	67.3	8.6[e]
Saint Vincent and the Grenadines	7.6	6.2	5.9	2.2	5.6	0.5	2.3	71.3	10.8
Latin America and the Caribbean (excluding Cuba and Brazil)	**-0.7**	**-2.2**	**0.9**	**3.3**	**2.8**	**0.8**	**1.5**	**-10.0**	**8.7**

Source: ECLAC, on the basis of official information. Figures were converted into dollars at constant 1980 prices.
Note: Totals and subtotals exclude, where applicable, those countries for which no information is provided.
[a] Preliminary estimates, subject to revision. [b] Does not include Cuba. [c] refers to total social product.
[d] OECS = Organization of Eastern Caribbean States. [e] Refers to the period 1990-1993.

Table A.4

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

	1986	1987	1988	1989	1990	1991	1992	1993	1994[a]
Argentina[b]	5.6	5.9	6.3	7.6	7.5	6.5	7.0	9.6	11.2
Bolivia[c]	7.0	7.2	11.6	10.2	9.5	7.3	5.8	5.4	5.8
Brazil[d]	3.6	3.7	3.8	3.3	4.3	4.8	5.8	5.3	5.5
Chile[e]	13.1	11.9	10.2	7.2	6.5	7.3	4.9	4.0	6.2
Colombia[f]	13.5	11.8	11.3	10.0	10.2	10.2	10.2	8.7	9.3
Costa Rica[g]	6.7	5.9	6.3	3.7	5.4	6.0	4.3	4.0	...
Ecuador[h]	10.7	7.2	7.4	7.9	6.1	8.5	8.9	8.9	8.1
El Salvador[i]	...	...	9.4	8.4	10.0	7.5	7.9	8.1	7.2
Guatemala[j]	14.0	11.4	8.8	6.2	6.4	6.7	6.1	5.5	...
Honduras[k]	12.1	11.4	8.7	7.2	7.8	7.4	6.0	5.9	...
Mexico[l]	4.3	3.9	3.5	2.9	2.7	2.7	2.8	3.4	3.7
Nicaragua[j]	4.7	5.8	6.0	8.4	11.1	14.2	17.8	21.8	23.5
Panama[m]	12.7	14.1	21.1	20.4	20.0	16.1	14.2	12.5	12.0
Paraguay[n]	6.1	5.5	4.7	6.1	6.6	5.1	5.3	5.1	5.1
Peru[o]	5.4	4.8	7.1	7.9	8.3	5.9	9.4	9.9	9.5
Uruguay[p]	10.7	9.3	9.1	8.6	9.3	8.9	9.0	8.4	9.0
Venezuela[q]	12.1	9.9	7.9	9.7	11.0	10.1	8.0	6.6	8.9

Source: ECLAC and International Labour Organisation (ILO) on the basis of official information.

[a] Preliminary figures. [b] National urban. [c] National. From 1991 onwards, refers to the capitals of nine departments. [d] Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. 1994 figure corresponds to the average for January-August. [e] Data relate to the Santiago metropolitan area; 1994 figure corresponds to the average for January-October. [f] Bogotá, Barranquilla, Medellín, Cali, Bucaramanga, Manizales and Pasto. 1994 figure corresponds to the average for March, June and September. [g] From 1987 onwards the figures are not strictly comparable to those for preceding periods, owing to changes in the methodology for multi-purpose household surveys. [h] Up to 1987: Quito, Guayaquil and Cuenca; since 1988: total urban; 1994: estimate based on data for July. [i] National urban. 1944 figure refers to first three quarters of year. [j] Country total. [k] 1986, urban labour force survey; 1987: Central District and San Pedro Sula and five cities; from 1988 onwards: national urban; 1993 figure refers to March. [l] Total urban. 1994 figure corresponds to the average of January to September. [m] Metropolitan Region. 1991-1994, national. [n] Asunción, Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo. 1994: estimate based on figures for the entire country. [o] Metropolitan Lima. [p] Montevideo; 1994 figure corresponds to the average for January-October. [q] 1993-1994, national; 1994 figure refers to first six months of year.

Table A.5

LATIN AMERICA AND THE CARIBBEAN: VARIATIONS IN CONSUMER PRICE INDEXES

(December-December variations)

	1986	1987	1988	1989	1990	1991	1992	1993	1994[a]
Latin America and the Caribbean	**63.9**	**209.2**	**776.8**	**1 212.6**	**1 191.7**	**199.7**	**419.0**	**887.6**	**465.4** [b]
Argentina	81.9	174.8	387.7	4 923.3	1 343.9	84.0	17.6	7.7	3.6 [c]
Barbados	-0.5	6.3	4.4	6.6	3.4	8.1	3.4	-1.0	-0.6 [d]
Bolivia	66.0	10.7	21.5	16.6	18.0	14.5	10.5	9.4	8.9 [c]
Brazil	58.6	394.6	993.3	1 863.6	1 584.6	475.8	1 149.1	2 489.1	1 294.0 [c]
Chile	17.4	21.4	12.7	21.4	27.3	18.7	12.7	12.2	8.9 [c]
Colombia	21.0	24.0	28.2	26.1	32.4	26.8	25.2	22.6	23.0 [c]
Costa Rica	15.4	16.4	25.3	10.0	27.3	25.3	17.0	9.0	17.4 [c]
Ecuador	27.3	32.5	85.7	54.3	49.5	49.0	60.2	31.0	24.5 [c]
El Salvador	30.3	19.6	18.2	23.5	19.3	9.8	20.0	12.1	9.4 [c]
Guatemala	21.4	9.3	12.3	20.2	59.6	10.2	14.2	11.6	12.5 [c]
Haiti	-11.4	-4.1	8.6	10.9	26.1	6.6	18.0	39.3	...
Honduras	3.2	2.9	6.6	11.4	36.4	21.4	6.5	13.1	28.0 [c]
Jamaica	10.4	8.4	8.9	17.2	29.7	80.2	40.2	30.1	32.6 [e]
Mexico	105.7	159.2	51.7	19.7	29.9	18.9	11.9	8.0	6.9 [c]
Nicaragua	747.4	1 347.2	33 547.6	1 689.1	13 490.2	775.4	3.5	19.5	12.2 [c]
Panama	0.4	0.9	0.3	-0.2	0.8	1.1	1.6	0.9	1.8 [f]
Paraguay	24.1	32.0	16.9	28.5	44.1	11.8	17.8	20.4	18.7 [c]
Peru	62.9	114.5	1 722.6	2 775.3	7 649.6	139.2	56.7	39.5	17.5 [c]
Dominican Republic	6.5	25.0	57.6	41.2	100.7	3.9	6.7	2.7	11.4 [c]
Trinidad and Tobago	9.9	8.3	12.1	9.3	9.5	2.3	8.5	13.5	6.4 [f]
Uruguay	70.6	57.3	69.0	89.2	129.0	81.3	59.0	52.9	44.7 [c]
Venezuela	12.7	40.3	35.5	81.0	36.5	31.0	31.9	45.9	70.9 [c]

Source: ECLAC, on the basis of information provided by official national institutions.

[a] Figures correspond to the variation in prices during the 12-month period ending in the month indicated for each country.
[b] Excluding Haiti. [c] Corresponds to the variation between November 1993 and November 1994. [d] Corresponds to the variation between August 1993 and August 1994. [e] Corresponds to the variation between October 1993 and October 1994.
[f] Corresponds to the variation between September 1993 and September 1994.

Table A.6
LATIN AMERICA AND THE CARIBBEAN: AVERAGE REAL WAGES

	1986	1987	1988	1989	1990	1991	1992	1993	1994[a]
Average annual indexes (1980 = 100)									
Argentina[b]	107.5	96.9	93.7	75.8	79.4	80.5	81.6	80.3	85.7
Brazil									
Rio de Janeiro[c]	122.9	101.5	105.7	108.2	87.0	92.2	115.3	119.5	109.2
São Paulo[d]	137.3	127.7	138.3	149.1	130.8	125.4	138.1	151.9	162.7
Chile[e]	95.1	94.8	101.1	103.0	104.8	110.1	115.1	118.6	124.6
Colombia[f]	120.1	119.2	117.7	119.5	116.0	115.3	117.3	122.8	122.2
Costa Rica[g]	98.0	88.5	84.5	85.1	86.5	82.5	85.9	94.7	...
Mexico[h]	73.2	72.0	71.3	77.8	79.4	84.7	92.9	100.2	99.4
Peru[i]	101.1	108.9	82.1	44.8	39.1	42.1	41.6	41.3	47.4
Uruguay[j]	71.7	75.0	76.0	75.8	70.4	73.0	74.6	78.2	79.2
Percentage variation									
Argentina[b]	-0.3	-9.9	-3.3	-19.1	4.7	1.4	1.4	-1.6	6.7
Brazil									
Rio de Janeiro[c]	9.9	-17.4	4.1	2.4	-19.6	6.0	25.1	3.6	-8.6
São Paulo[d]	25.2	-5.0	8.3	7.8	-14.0	-4.1	10.1	10.0	7.1
Chile[e]	1.7	-0.3	6.6	1.9	1.7	5.1	4.5	3.0	5.1
Colombia[f]	4.8	-0.7	-1.3	1.5	-2.9	-0.6	1.7	4.7	-0.5
Costa Rica[g]	6.1	-9.7	-4.5	0.7	1.6	-4.6	4.1	10.2	...
Mexico[h]	-5.8	-0.3	0.6	9.1	2.1	6.7	9.7	7.9	-0.8
Peru[i]	30.3	7.7	-24.6	-45.4	-12.7	7.7	-1.2	-0.7	14.8
Uruguay[j]	6.5	4.6	1.3	-0.3	-7.1	3.7	2.2	4.8	1.3

Source : ECLAC, on the basis of official figures.

[a] Preliminary figures. [b] Average total wages in manufacturing. 1994: January-September average.

[c] Average wages in manufacturing deflated by the CPI for Rio de Janeiro; 1994: January-August average. [d] Wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. 1994: January-August average. [e] Until April 1993, average wages of non-agricultural wage-earners. From May 1993 onwards, general index of hourly wages, base April 1993 = 100; 1994 January-October average. [f] Wages of manual workers in manufacturing. 1994: January-July average. [g] Average remuneration declared by persons covered by the social security system. [h] Average wages in manufacturing. 1994: January-July average. [i] Wages of private-sector manual workers in the Lima metropolitan area. 1994: Average of February, April and June. [j] Index of average real wages. 1994: January-October average.

Table A.7

LATIN AMERICA AND THE CARIBBEAN: PUBLIC SECTOR DEFICIT (-) OR SURPLUS AT CURRENT PRICES [a]

(Percentages of gross domestic product)

	Coverage	1988	1989	1990	1991	1992	1993	1994[b]
Argentina	NNFPS	-6.0	-3.8	-3.8	-1.6	0.4	1.1	0.1[c]
Bolivia	NFPS	-7.5	-5.0	-4.0	-4.2	-5.3	-6.5	-4.0
Brazil	NFPS[d]	-4.8	-6.9	1.2	1.4	-2.1	0.3	-
Chile	NFPS	3.5	5.0	3.1	2.2	2.9	2.0	1.3
Colombia	NFPS[e]	-2.5	-2.4	-0.3	0.1	-0.3	0.2	-
Costa Rica	CG	-2.5	-4.1	-4.4	-3.2	-1.9	-1.9	-4.6
Ecuador	NFPS	-5.3	-1.6	0.6	-1.0	-1.7	-0.4	-0.5
El Salvador	CG	-3.2	-4.9	-3.2	-4.6	-4.7	-3.0	-1.6
Guatemala	CG	-2.5	-3.8	-2.3	-0.1	-0.5	-1.5	-1.6
Haiti	CG	-5.2	-6.6	-1.0	-	-2.6	-2.3	...
Honduras	CF	-6.9	-7.4	-6.4	-3.3	-4.9	-9.2	-7.0
Mexico	CPS	-12.5	-5.7	-4.0	-0.4	1.6	0.7	0.4
	CG	-9.7	-5.1	-2.8	0.2	1.6	0.7	...
Nicaragua	CG	-26.6	-6.7	-17.2	-7.5	-7.6	-6.3	-8.3
Panama	CG	-5.4	-7.1	6.8	-2.7	-1.4	-0.6	-
Paraguay	CG	0.7	1.5	3.0	4.4	-0.1	-0.2	...
Peru	CG	-2.5	-4.2	-2.5	-1.5	-1.6	-1.4	...
Dominican Republic	CG	-1.6	-0.1	0.3	0.8	2.6	-0.3	-0.9
Uruguay	CPS	-4.5	-6.1	-2.5	-	0.5	-1.5	-2.5
	NFPS	-1.8	-2.8	1.1	2.3	2.1	-0.7	-1.7
Venezuela	NFPS	-8.6	-1.3	1.0	0.6	-5.8	-3.5	-7.0

Source: ECLAC, on the basis of official figures.

Note: The following abbreviations are used in this table: CG = Central Government. NFPS = Non-financial public sector. NNFPS = National non-financial public sector, excluding provinces and municipalities. CPS = Consolidated public sector.

[a] Calculated on the basis of figures in local currency at current prices. [b] Preliminary estimates. [c] From 1992 onwards, the information corresponds to cash flow statistics. [d] Estimates based on the financing needs of the consolidated public sector.

[e] Net transfers.

Table A.8

LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATE INDEXES FOR EXPORTS [a]

(Prepared on the basis of consumer price indexes)

Country	1978	1979-1981	1982-1985	1986	1987	1988	1989	1990	1991	1992	1993	1994[b]
Argentina	102.7	68.2	99.5	100.2	122.4	129.7	143.1	100.0	83.3	77.5	74.4	76.3
Bolivia	69.7	65.5	53.3	67.9	69.8	74.1	71.9	100.0	108.3	116.1	119.9	126.3
Brazil	100.1	123.4	135.0	160.7	156.8	143.2	108.4	100.0	118.5	126.5	111.3	96.2
Chile	58.6	50.1	57.5	88.4	96.3	102.0	96.4	100.0	98.9	94.8	96.1	95.0
Colombia	54.1	51.1	50.9	77.0	85.2	86.5	88.8	100.0	101.0	89.5	83.3	76.3
Costa Rica	61.7	79.7	95.5	95.7	99.6	104.0	98.0	100.0	108.3	103.1	100.6	101.9
Ecuador	47.4	47.0	54.8	68.7	78.8	92.3	94.6	100.0	95.2	94.7	83.9	77.6
El Salvador	151.2	134.8	91.8	117.9	99.7	86.9	82.8	100.0	98.4	98.2	87.5	82.8
Guatemala	55.7	54.9	51.5	65.2	84.1	85.0	85.4	100.0	87.9	86.5	87.8	84.6
Haiti [c]	86.7	82.4	70.7	75.0	88.2	93.1	96.4	100.0	92.8	96.2	110.2	...
Honduras	70.6	66.4	55.3	56.6	60.3	60.4	56.1	100.0	107.9	102.2	111.5	125.9
Mexico [d]	89.0	76.4	100.5	130.4	135.2	110.0	103.2	100.0	91.1	83.8	78.8	80.3
Nicaragua	278.0	239.3	104.0	24.9	3.1	125.4	150.0	100.0	112.0	104.7	106.8	103.2
Paraguay [e]	70.4	52.4	68.0	86.2	93.1	96.5	101.9	100.0	86.9	91.1	93.6	94.5
Peru	252.3	218.4	198.3	208.1	189.8	195.8	122.1	100.0	82.1	81.4	88.7	84.0
Dominican Republic	87.8	85.9	108.6	105.2	130.2	151.0	109.2	100.0	100.6	101.2	98.0	95.9
Uruguay	84.7	62.1	69.9	78.1	80.6	86.7	86.3	100.0	88.1	83.9	74.6	73.0
Venezuela	50.9	46.1	47.2	62.7	83.9	81.2	96.1	100.0	93.9	89.1	87.8	93.5

Source: ECLAC, on the basis of figures supplied by the International Monetary Fund.

[a] Corresponds to the average indexes of the real exchange rate (official principal) between the currency of each country and the currencies of its main trading partners weighted by the relative participation of each of those countries in the exports of the country under analysis. These weightings correspond to the average for the period 1989-1992. For the methodology and sources used, see ECLAC, *Economic Survey of Latin America*, 1981 (E/CEPAL/G.1248), Santiago, Chile, 1983. United Nations publication, Sales No. E.83.II.G.2. [b] January-September average. [c] From 1987 onwards, the commercial exchange rate was used. [d] The exchange rate used was as follows: median rate between the average selling and buying rates declared by the main commercial banks to the Bank of Mexico up to July 1982; preferential rate for commodity imports from August to November 1982; median rate between the selling and buying rates in the controlled market from November 1982 to November 1991; interbank exchange rate from November 1991 onwards. [e] The free or parallel exchange rate was used.

Table A.9

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994[a]	1992	1993	1994[a]	1994[a]	1992	1993	1994[a]	1994[a]	1992	1993	1994[a]
Latin America and the Caribbean	**173**	**5.2**	**5.1**	**14.3**	**78**	**-2.8**	**-1.3**	**5.6**	**220**	**8.3**	**6.4**	**8.3**
Oil-exporting countries	**149**	**-0.7**	**5.2**	**15.0**	**71**	**-3.7**	**-**	**5.4**	**2.7**	**3.2**	**5.2**	**9.0**
Bolivia	96	-20.0	16.7	27.5	55	-18.0	-6.6	5.5	174	-2.4	25.0	20.8
Colombia	224	-3.3	2.3	20.1	91	-10.4	-4.4	15.0	247	8.0	7.0	4.5
Ecuador	143	5.5	-3.5	24.0	54	-1.4	-3.9	4.5	263	7.0	0.4	18.8
Mexico	220	2.5	9.1	13.8	77	-0.5	6.2	5.0	288	3.0	2.8	8.5
Peru	109	4.7	-0.6	22.7	105	-1.3	-8.0	7.0	103	6.0	8.1	14.6
Venezuela	82	-6.5	1.7	10.4	56	-7.4	-6.2	2.0	147	0.9	8.4	8.1
Non-oil-exporting countries	**200**	**10.4**	**5.0**	**13.8**	**85**	**-2.9**	**-2.4**	**5.7**	**235**	**13.8**	**7.6**	**7.6**
South America	**213**	**10.5**	**4.7**	**14.3**	**82**	**-3.2**	**-2.9**	**5.3**	**261**	**14.3**	**7.7**	**8.6**
Argentina	190	2.1	7.0	16.1	83	1.7	2.0	2.0	228	0.5	4.9	13.9
Brazil	215	14.2	7.4	11.6	80	-3.6	-2.0	5.5	269	18.5	9.6	5.8
Chile	244	11.9	-7.9	25.0	85	-8.2	-10.7	10.0	289	21.9	3.2	13.6
Paraguay	310	-7.7	17.8	2.0	100	-4.6	-7.0	1.0	309	-3.2	26.7	1.1
Uruguay	175	6.1	-3.4	12.5	89	-0.6	-6.0	1.5	196	6.8	2.8	10.8
Central America and the Caribbean	**146**	**9.8**	**6.9**	**10.5**	**111**	**-0.9**	**-0.4**	**9.9**	**131**	**10.6**	**7.5**	**0.5**
Costa Rica	216	14.4	13.6	11.2	86	-4.6	1.2	11.0	253	19.9	12.2	0.1
El Salvador	77	-0.2	24.7	12.7	87	-9.0	5.1	21.0	88	9.7	18.7	-6.9
Guatemala	107	4.4	5.6	19.5	99	-6.0	2.5	14.0	107	11.0	3.1	4.8
Haiti	21	-55.2	9.6	-43.8	66	-8.0	1.5	10.0	32	-51.3	7.8	-48.9
Honduras	112	0.6	0.4	12.3	110	-1.0	2.3	19.0	102	1.6	-1.9	-5.6
Nicaragua	73	-16.8	19.7	23.6	66	-28.9	12.3	9.0	112	17.1	6.6	13.5
Panama	249	20.9	4.9	7.3	160	2.0	-3.0	5.0	156	18.6	8.2	2.2
Dominican Republic	62	-14.0	-6.4	12.3	69	-6.7	-5.3	8.0	89	-7.9	-1.1	3.9

Source: ECLAC, on the basis of official information.

[a] Preliminary estimates.

Table A.10

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994[a]	1992	1993	1994[a]	1994[a]	1992	1993	1994[a]	1994[a]	1992	1993	1994[a]
Latin America and the Caribbean	**189**	**23.0**	**8.4**	**14.7**	**111**	**2.7**	**-0.2**	**2.7**	**170**	**19.7**	**8.7**	**11.7**
Oil-exporting countries	**215**	**24.8**	**3.2**	**12.3**	**11.6**	**1.3**	**2.5**	**3.7**	**185**	**23.2**	**0.8**	**8.3**
Bolivia	194	29.4	3.6	3.4	108	3.0	-1.2	3.0	180	25.6	4.8	0.5
Colombia	259	32.6	50.7	22.0	112	1.6	-1.2	2.0	231	30.5	52.5	19.6
Ecuador	119	-7.2	13.5	14.4	80	1.1	-1.2	3.0	149	-8.2	14.8	11.1
Mexico	306	26.2	1.5	18.2	120	0.9	4.6	2.0	254	25.0	-2.9	15.8
Peru	178	15.9	-0.2	36.0	147	0.3	-0.6	2.5	121	15.5	0.4	32.8
Venezuela	71	25.5	-13.4	-30.0	97	1.0	-1.9	3.0	73	24.3	-11.7	-32.0
Non-oil-exporting countries	**169**	**21.0**	**14.4**	**17.3**	**106**	**4.3**	**-2.8**	**2.4**	**159**	**16.1**	**17.8**	**14.6**
South America	**167**	**20.7**	**17.4**	**20.8**	**103**	**5.0**	**-3.5**	**2.3**	**162**	**14.9**	**21.7**	**18.1**
Argentina	207	81.0	13.6	25.0	132	2.1	-3.7	2.5	157	77.3	18.0	22.0
Brazil	139	-2.2	24.9	24.5	92	1.1	-3.1	2.0	151	-3.2	29.0	22.0
Chile	199	25.6	10.2	7.0	108	1.6	-2.4	2.0	185	23.6	12.9	4.9
Paraguay	296	9.4	2.7	6.6	77	6.3	-3.1	3.0	387	2.9	6.1	3.6
Uruguay	162	25.7	12.8	23.3	98	-0.1	-3.7	2.0	165	25.8	17.2	21.0
Central America and the Caribbean	**175**	**21.8**	**5.6**	**6.2**	**120**	**1.4**	**0.7**	**2.9**	**146**	**20.2**	**4.6**	**3.2**
Costa Rica	205	30.3	18.0	7.9	89	-0.3	-0.6	3.0	228	30.7	18.7	4.8
El Salvador	217	22.6	12.5	9.2	155	1.2	0.5	3.0	140	21.2	11.9	6.1
Guatemala	165	39.1	2.3	2.3	101	1.2	0.3	2.0	160	37.4	2.0	0.2
Haiti	44	-34.4	-11.2	-20.0	96	0.9	-	1.0	46	-35.0	-11.2	-20.8
Honduras	117	7.7	9.9	3.3	87	0.6	2.6	3.0	134	7.1	7.1	0.3
Nicaragua	90	12.0	-14.5	9.3	120	3.0	5.6	2.0	75	8.8	-19.0	7.0
Panama	223	18.8	5.9	7.1	149	2.6	2.7	3.0	150	15.9	3.1	4.0
Dominican Republic	148	26.0	-2.8	6.2	121	2.2	-1.1	2.0	123	23.3	-1.6	4.1

Source: ECLAC, on the basis of official information.

[a] Preliminary estimates.

Table A.11

LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB

(Indexes: 1980 = 100 and rates of variation)

	Indexes				Annual rates of variation				Cumulative variation	
	1991	1992	1993	1994[a]	1991	1992	1993	1994[a]	1981-1990	1991-1994[a]
Latin America and the Caribbean	**73**	**69**	**69**	**71**	**-7.1**	**-5.4**	**-1.2**	**2.8**	**-21.0**	**-10.8**
Oil-exporting countries	**65**	**62**	**60**	**61**	**-13.2**	**-5.1**	**-2.4**	**1.7**	**-25.0**	**-18.3**
Bolivia	66	53	50	51	-10.8	-20.4	-5.5	2.6	-25.9	-31.2
Colombia	84	74	72	81	-5.9	-11.8	-3.2	12.7	-10.9	-9.5
Ecuador	71	69	67	68	-13.1	-2.4	-2.9	1.5	-18.3	-16.0
Mexico	62	61	62	64	-11.5	-1.4	1.6	2.7	-30.2	-8.9
Peru	75	74	69	72	-6.0	-1.6	-7.5	4.4	-20.0	-10.5
Venezuela	66	61	58	56	-21.0	-8.3	-4.4	4.1	-16.1	-31.5
Non-oil-exporting countries	**83**	**77**	**77**	**80**	**-0.5**	**-6.9**	**3.6**	**3.6**	**-17.0**	**-3.7**
South America	**83**	**76**	**77**	**79**	**0.5**	**-8.0**	**2.9**	**2.9**	**-17.5**	**-4.0**
Argentina	60	60	63	63	-8.1	-0.5	6.0	-0.5	-34.6	-3.5
Brazil	87	83	84	87	5.5	-4.6	1.2	3.5	-17.7	5.3
Chile	88	80	73	79	2.2	-9.6	-8.5	7.9	-13.8	-8.8
Paraguay	155	139	134	131	-2.1	-10.4	-4.0	-1.9	58.6	-17.3
Uruguay	94	93	91	91	-6.2	-0.5	-2.4	-0.5	-0.1	-9.4
Central America and the Caribbean	**90**	**88**	**87**	**93**	**-2.1**	**-2.2**	**-1.0**	**6.7**	**-8.2**	**1.1**
Costa Rica	91	87	88	95	-10.9	-4.2	1.8	7.8	1.6	-6.3
El Salvador	51	46	48	57	-1.5	-10.0	4.3	17.7	-48.1	8.9
Guatemala	91	84	86	96	-3.6	-7.2	2.1	11.7	-5.8	2.1
Haiti	68	62	63	68	4.1	-8.8	1.6	8.8	-34.8	4.9
Honduras	111	109	109	126	4.5	-1.6	-0.2	15.5	6.2	18.5
Nicaragua	70	48	51	55	-14.0	-30.9	6.2	6.8	-19.1	-32.5
Panama	111	111	105	106	-2.2	-0.5	-5.6	1.7	14.0	-6.7
Dominican Republic	62	56	54	57	-1.8	-8.7	-4.3	5.9	-37.4	-8.9

Source: ECLAC, on the basis of official information.

[a] Preliminary estimates.

Table A.12

LATIN AMERICA AND THE CARIBBEAN: PRICES OF MAIN EXPORT COMMODITIES

(Dollars at current prices and rates of variation)

	Average annual prices					Annual rates of variation		
	1980-1984	1985-1989	1990-1992	1993	1994[a]	1992	1993	1994[a]
Unrefined sugar [b]	13.5	8.0	10.2	10.0	11.3	1.0	10.6	12.8
Bananas [b]	19.2	22.4	25.9	31.4	34.4	-8.1	36.6	9.5
Cocoa [b]	99.2	83.1	53.9	50.7	63.2	-8.1	1.9	24.6
Coffee (mild) [b]	139.6	138.5	79.3	69.9	135.9	-25.1	9.9	94.4
Beef [b]	111.9	106.3	115.8	118.7	108.1	-7.9	6.6	-8.9
Fish meal [c]	430.2	387.2	457.3	365.0	365.7	0.8	-24.3	0.2
Maize [c]	171.6	126.8	132.2	141.7	142.7	-2.4	3.7	0.7
Soya beans [c]	278.6	245.6	241.0	255.0	257.2	-1.7	8.1	0.9
Wheat [c]	165.4	136.8	139.0	142.0	144.3	17.1	-6.0	1.6
Cotton [b]	83.5	66.0	75.4	62.2	81.7	-23.2	-0.6	31.3
Wool [b]	162.9	174.1	132.6	116.0	133.4	3.6	-6.1	15.2
Copper [b]	73.4	90.9	110.2	86.7	103.0 [f]	-2.4	-16.2	18.7
Tin [d]	6.3	3.7	2.7	2.3	2.4	10.8	-15.3	3.2
Iron ore [c]	24.1	25.5	31.9	28.1	25.5	-4.9	-11.0	-9.5
Lead [b]	27.7	24.7	28.9	18.5	23.1	-2.9	-24.8	24.8
Zinc [b]	42.1	52.6	61.9	46.1	46.5	10.6	-21.1	0.9
Crude petroleum [e]	32.1	18.0	19.5	16.1	15.3 [g]	-0.5	-11.5	-5.2

Source: United Nations Conference on Trade and Development (UNCTAD), *Monthly Commodity Price Bulletin*, supplement 1970-1989 (TD/B/C.1/CPB/L.101/Add.1), November 1989; and *Monthly Commodity Price Bulletin* (TD/B/CN.1/CPB/L.19), vol XIV, No. 10, October 1994; International Monetary Fund, *International Financial Statistics* and *Petroleum Market Intelligence Weekly*, London, various issues.

Note: **Unrefined sugar**, FOB, Caribbean ports, for export to the free market. **Bananas** from Central America, CIF, North Sea ports. **Cocoa beans**, average of daily prices (futures), New York/London. **Coffee**, mild arabica, ex-dock New York. **Beef**, frozen and boned, all sources, United States ports. **Fish meal**, all sources, 64-65% protein, CIF Hamburg. **Maize**, Argentina, CIF, North Sea ports. **Soya beans**, United States No. 2, yellow bulk, CIF Rotterdam. **Wheat**, FOB United States, No. 2, Hard Red Winter. **Cotton**, Mexican M 1-3/32", CIF Northern Europe. **Wool**, clean, combed, grade 48"s, United Kingdom. **Copper, tin, lead and zinc**, spot cash prices on the London Metal Exchange. **Iron ore**, Brazil to Europe, C. 64.5% Fe, FOB. **Petroleum**, IMF average, average of spot prices of "Dubai", "Brent" (United Kingdom) and "Alaskan N. Slope" petroleum, which reflects relatively even consumption of medium, light and heavy crude throughout the world.

[a] January-September average. Rates of variation were calculated with respect to the preceding year. [b] United States cents per pound. [c] Dollars per metric ton. [d] Dollars per pound. [e] Dollars per barrel. [f] January-November average.

[g] January-October average.

Table A.13

LATIN AMERICA AND THE CARIBBEAN: PURCHASING POWER OF EXPORTS OF GOODS

(Indexes: 1980 = 100 and rates of variation)

	Indexes				Annual rates of variation				Cumulative variation	
	1991	1992	1993	1994[a]	1991	1992	1993	1994[a]	1981-1990	1991-1994[a]
Latin America and the Caribbean	**127**	**130**	**137**	**152**	**-2.5**	**2.4**	**5.3**	**11.0**	**29.8**	**16.7**
Oil-exporting countries	**113**	**111**	**114**	**126**	**-6.8**	**-2.0**	**2.6**	**10.9**	**21.3**	**4.0**
Bolivia	72	56	66	82	-8.2	-22.3	18.1	23.8	-21.3	4.3
Colombia	168	160	165	195	3.8	-4.8	3.5	17.7	61.6	20.4
Ecuador	140	146	143	172	-2.1	4.4	-2.3	20.4	42.8	20.2
Mexico	152	154	161	179	-4.7	1.6	4.3	11.6	59.1	12.7
Peru	57	60	60	72	-6.6	4.4	0.0	19.7	-38.5	16.7
Venezuela	78	72	75	81	-16.4	-7.4	3.7	7.2	-6.4	-14.0
Non-oil-exporting countries	**142**	**150**	**163**	**181**	**2.3**	**5.8**	**8.0**	**11.1**	**39.0**	**29.9**
South America	**154**	**162**	**176**	**197**	**2.8**	**5.2**	**8.5**	**11.8**	**50.2**	**31.1**
Argentina	112	112	125	142	-11.7	0.0	11.1	13.3	27.3	11.2
Brazil	167	189	209	229	10.7	13.0	10.8	9.4	50.7	51.7
Chile	175	192	182	223	9.0	10.1	-5.6	22.5	60.3	38.8
Paraguay	358	311	244	241	-19.9	-13.2	-21.6	-1.0	346.7	-46.0
Uruguay	147	156	157	173	-6.9	6.2	0.3	10.3	58.0	9.3
Central America and the Caribbean	**97**	**105**	**111**	**119**	**4.0**	**8.3**	**6.1**	**7.4**	**-7.1**	**28.3**
Costa Rica	161	185	211	228	10.3	14.7	14.3	8.0	46.0	56.2
El Salvador	36	36	45	49	-1.8	-1.4	24.1	9.4	-63.0	31.6
Guatemala	77	80	84	98	-7.2	3.2	5.3	17.2	-16.7	18.1
Haiti	74	33	36	20	4.3	-55.6	9.6	-44.4	-29.1	-71.8
Honduras	114	114	112	122	0.7	0.0	-2.1	9.0	13.3	7.4
Nicaragua	53	43	48	59	-26.8	-19.2	13.4	21.2	-27.9	-18.6
Panama	131	155	158	164	14.8	17.8	2.1	4.2	14.3	43.8
Dominican Republic	56	47	45	49	-8.4	-15.9	-5.4	10.2	-38.5	-19.7

Source: ECLAC, on the basis of official information.

[a] Preliminary estimates.

Table A.14

LATIN AMERICA AND THE CARIBBEAN: TRADE BALANCE (GOODS)

(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Trade balance		
	1992	1993	1994[a]	1992	1993	1994[a]	1992	1993	1994[a]
Latin America and the Caribbean	**127 229**	**133 713**	**152 830**	**137 495**	**149 024**	**171 035**	**-10 266**	**-15 311**	**-18 205**
Oil-exporting countries	**55 868**	**58 760**	**67 565**	**74 076**	**76 469**	**85 905**	**-18 208**	**-17 709**	**-18 340**
Bolivia	608	710	905	1 041	1 078	1 115	-433	-368	-210
Colombia	7 263	7 429	8 925	6 030	9 086	11 085	1 233	-1 657	-2 160
Ecuador	3 008	2 903	3 600	2 048	2 325	2 660	960	578	940
Mexico[b]	27 516	30 033	34 190	48 193	48 924	57 835	-20 677	-18 891	-23 645
Peru	3 485	3 463	4 250	4 050	4 043	5 500	-565	-580	-1 250
Venezuela	13 988	14 222	15 695	12 714	11 013	7 710	1 274	3 209	7 985
Non-oil-exporting countries	**71 361**	**74 953**	**85 265**	**63 419**	**72 555**	**85 130**	**7 942**	**2 398**	**135**
South America	**61 059**	**63 936**	**73 090**	**47 269**	**55 503**	**67 020**	**13 790**	**8 433**	**6 070**
Argentina	12 235	13 090	15 200	13 685	15 545	19 425	-1 450	-2 455	-4 225
Brazil	36 103	38 783	43 300	20 578	25 711	32 000	15 525	13 072	11 300
Chile	9 986	9 202	11 500	9 238	10 181	10 895	748	-979	605
Paraguay	1 032	1 216	1 240	1 827	1 876	2 000	-795	-660	-760
Uruguay	1 703	1 645	1 850	1 941	2 190	2 700	-238	-545	-850
Central America and the Caribbean	**10 302**	**11 017**	**12 175**	**16 150**	**17 052**	**18 110**	**-5 848**	**-6 035**	**-5 935**
Costa Rica	1 714	1 947	2 165	2 212	2 610	2 815	-498	-663	-650
El Salvador	587	732	825	1 587	1 785	1 950	-1 000	-1 053	-1 125
Guatemala	1 284	1 356	1 620	2 328	2 381	2 435	-1 044	-1 025	-815
Haiti	73	80	45	197	175	140	-124	-95	-95
Honduras	843	846	950	983	1 080	1 115	-140	-234	-165
Nicaragua	223	267	330	771	659	720	-548	-392	-390
Panama	5 012	5 259	5 645	5 894	6 244	6 685	-882	-985	-1 040
Dominican Republic	566	530	595	2 178	2 118	2 250	-1 612	-1 588	-1 655

Source: ECLAC, on the basis of information supplied by the International Monetary Fund and by official national institutions.

[a] Preliminary estimates. Figures have been rounded to the nearest ten or five. [b] If values corresponding to the maquiladora industry are included in the total for goods, in line with the latest international recommendations, total exports were US$ 46,196 million, US$ 51,886 million, and US$ 60,500 million, imports were US$ 62,129 million, US$ 65,367 million and US$ 78,090 million for 1992, 1993 and 1994, respectively, and the corresponding trade balances were US$ -15,933 million, US$ -13,481 million and US$ 17,590 million. If this new method is adopted, the service entries for foreign trade must also be corrected, eliminating the value of the maquila from them.

Table A.15

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(Millions of dollars)

	Balance of services[a]			Balance of profits and interest[c]			Unrequited private transfer payments			Balance on current account			Balance on capital account[d]			Global balance[e]		
	1992	1993	1994[b]	1992	1993	1994[b]	1992	1993	1994[b]	1992	1993	1994[b]	1992	1993	1994[b]	1992	1993	1994[b]
Latin America and the Caribbean	**-4 625**	**-5 165**	**-4 570**	**-31 047**	**-32 905**	**-35 555**	**8 766**	**7 423**	**8 605**	**-37 172**	**-45 958**	**-49 725**	**61 682**	**65 088**	**56 565**	**510**	**19 130**	**6 840**
Oil-exporting countries	**-1 440**	**-352**	**950**	**-15 431**	**-16 310**	**-17 635**	**4 331**	**3 470**	**3 750**	**-30 748**	**-30 901**	**-31 275**	**33 171**	**37 991**	**25 420**	**423**	**7 090**	**-5 855**
Bolivia	-151	-137	-130	-193	-202	-190	23	21	20	-754	-686	-510	780	823	575	26	137	65
Colombia	-116	-63	170	-1 939	-1 650	-1 870	1 747	1 136	840	925	-2 234	-3 020	167	2 213	3 075	1092	-21	55
Ecuador	-265	-295	-560	-805	-773	-820	0	0	0	-110	-490	-440	132	962	800	22	472	360
Mexico	2 689	3 735	4 345	-9 839	-10 924	-12 095	2 908	2 591	2 895	-24 919	-23 489	-28 500	26 664	29 531	19 500	1 745	6 042	-9 000
Peru	-668	-656	-660	-910	-981	-985	0	0	0	-2 143	-2 217	-2 895	2 711	2 662	5 975	568	445	3 080
Venezuela	-2 929	-2 936	-2 215	-1 745	-1 780	-1 675	-347	-278	-5	-3 747	-1 785	4 090	2 717	1 800	-4 505	-1 030	15	-415
Non-oil-exporting countries	**-3 185**	**-4 813**	**-5 520**	**-15 616**	**-16 595**	**-17 920**	**4 435**	**3 953**	**4 855**	**-6 424**	**-15 057**	**-18 450**	**28 511**	**27 097**	**31 145**	**22 087**	**12 040**	**12 695**
South America	**-5 228**	**-7 232**	**-7 910**	**-13 873**	**-15 078**	**-16 570**	**2 873**	**2 251**	**2 945**	**-2 438**	**-11 626**	**-15 465**	**24 259**	**23 322**	**28 335**	**21 821**	**11 696**	**12 870**
Argentina	-2 307	-2 486	-2 975	-3 656	-3 075	-3 700	749	537	400	-6 664	-7 479	-10 500	11 213	10 047	10 500	4 549	2 568	0
Brazil	-3 224	-5 104	-5 700	-8 082	-10 258	-11 160	2 047	1 653	2 500	6 266	-637	-3 060	8 802	9 041	13 060	15 068	8 404	10 000
Chile	98	5	145	-1 860	-1 503	-1 435	74	61	40	-940	-2 416	-645	3 487	2 838	3 145	2 547	422	2 500
Paraguay	15	75	145	-88	-101	-130	3	0	5	-865	-686	-740	519	774	1 040	-346	88	300
Uruguay	190	278	475	-187	-141	-145	0	0	0	-235	-408	-520	238	622	590	3	214	70
Central America and the Caribbean	**2 043**	**2 419**	**2 390**	**-1 743**	**-1 517**	**-1 350**	**1 562**	**1 702**	**1 910**	**-3 986**	**-3 431**	**-2 985**	**4 252**	**3 775**	**2 810**	**266**	**344**	**-175**
Costa Rica	166	233	260	-201	-193	-205	86	86	80	-447	-537	-515	587	518	295	140	-19	-220
El Salvador	-21	27	-10	-104	-117	-120	702	823	940	-423	-320	-315	482	465	450	59	145	135
Guatemala	127	59	15	-179	-110	-90	339	310	380	-757	-766	-510	738	879	510	-19	113	0
Haiti	-36	-45	-55	-9	-10	-10	44	75	45	-125	-75	-115	76	35	85	-49	-40	-30
Honduras	18	29	20	-318	-321	-270	61	48	40	-379	-478	-375	371	335	350	-8	-143	-25
Nicaragua	-62	-56	-30	-495	-429	-465	10	25	30	-1 095	-852	-855	1 096	771	900	1	-81	45
Panama	821	937	880	-194	-117	-45	-27	-27	-25	-282	-192	-230	398	250	300	116	58	70
Dominican Republic	1 030	1 235	1 310	-243	-220	-145	347	362	420	-478	-211	-70	504	522	-80	26	311	-150

Source: ECLAC, on the basis of information supplied by the International Monetary Fund and by official national institutions.

[a] Does not include net payments of profits and interest.

[b] Preliminary ECLAC estimates. Figures have been rounded to the nearest ten or five.

[c] Includes interest due.

[d] Includes short-term capital, unrequited official transfer payments, and errors and omissions.

[e] Corresponds to the variation in international reserves (of opposite sign) plus counterpart items.

Table A.16

LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOW AND TRANSFER OF RESOURCES

(Billions of dollars and percentages)

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources as a % of exports of goods and services (5) = (3) % (4) (5)[a]
			Latin America and the Caribbean		
1975-1979[b]	104.9	44.5	60.4	287.4	21.0
1975-1979[c]	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.2	-26.8	113.6	-23.6
1985	3.1	35.3	-32.2	108.6	-29.7
1986	9.9	32.4	-22.5	94.8	-23.7
1987	15.1	31.3	-16.2	108.0	-15.0
1988	5.5	34.3	-28.8	123.1	-23.4
1989	9.9	37.9	-28.0	136.4	-20.5
1990	17.7	33.1	-15.4	150.6	-10.2
1991	38.0	31.4	6.6	151.3	4.4
1992	61.7	31.0	30.7	161.3	19.0
1993	65.1	32.9	32.2	170.4	18.9
1994[d]	56.6	35.6	21.0	194.4	10.8
			Oil-exporting countries		
1975-1979[b]	43.6	18.2	25.4	140.9	18.0
1975-1979[c]	8.7	3.6	5.1	28.2	18.0
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.1	9.1
1982	3.8	17.2	-13.4	55.6	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.3	-19.0	59.5	-31.9
1985	-2.7	15.1	-17.8	55.0	-32.4
1986	2.5	13.2	-10.7	44.4	-24.1
1987	4.7	12.9	-8.2	52.5	-15.6
1988	0.9	13.0	-12.1	53.9	-22.4
1989	4.6	14.9	-10.3	62.3	-16.5
1990	7.7	13.3	-5.6	74.2	-7.5
1991	26.7	13.7	13.0	73.7	17.6
1992	33.2	15.4	17.8	74.9	23.8
1993	38.0	16.3	21.7	79.2	27.4
1994[d]	25.4	17.6	7.8	90 5	8.6
			Non-oil-exporting countries		
1975-1979[b]	61.3	26.3	35.0	146.5	23.9
1975-1979[c]	12.3	5.3	7.0	29.3	23.9
1980	18.5	10.6	7.9	50.3	15.7
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.5	-5.2	47.3	-11.0
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.3	19.2	-11.9	50.4	-23.6
1987	10.4	18.4	-8.0	55.5	-14.4
1988	4.6	21.3	-16.7	69.2	-24.1
1989	5.3	23.0	-17.7	74.1	-23.9
1990	10.0	19.8	-9.8	76.4	-12.8
1991	11.3	17.7	-6.4	77.6	-8.2
1992	28.5	15.6	12.9	86.4	14.9
1993	27.1	16.6	10.5	91.2	11.5
1994[d]	31.2	18.0	13.2	103.9	12.7

Source: ECLAC, on the basis of information supplied by the International Monetary Fund. 1994: and by official national institutions.
[a] Percentages. [b] Cumulative. [c] Average. [d] Preliminary estimates.

Table A.17

LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES[a]

(Millions of dollars)

	1990	1991	1992	1993	January to September	
					1993	1994
Total	**2 760**	**7 242**	**12 577**	**27 397**	**18 699**	**13 609**
Argentina	21	795	1 570	6 233	2 793	3 239
Barbados	-	-	-	-	-	20
Bolivia	-	-	-	-	-	10
Brazil	-	1 837	3 655	6 679	4 545	1 856
Chile	-	200	120	433	333	155
Colombia	-	-	-	566	375	633
Costa Rica	-	-	-	-	-	50
Guatemala	-	-	-	60	60	-
Jamaica	-	-	-	-	-	55
Mexico	2 477	3 782	6 100	10 783	8 192	6 866
Panama	-	50	-	-	-	250
Peru	-	-	-	30	-	100
Trinidad and Tobago	-	-	100	125	100	150
Uruguay	-	-	100	140	140	100
Venezuela	262	578	932	2 348	2 161	125

Source: 1990-1992: International Monetary Fund, *Private market financing for developing countries*, Washington, December 1993; 1993-1994: International Monetary Fund, estimates based on various sources.

[a] Gross financing.

Table A.18

LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL SECURITIES ISSUES [a]

(Millions of dollars)

	1990	1991	1992	1993	January-September	
					1993	1994
Total	**98**	**4 120**	**4 063**	**5 726**	**3 529**	**3 762**
Argentina	-	356	372	2 793	2 475	574
Bolivia	-	-	-	10	-	-
Brazil	-	-	133	-	-	898
Chile	98	-	129	271	208	472
Colombia	-	-	-	91	27	148
Mexico	-	3 764	3 058	2 493	819	1 537
Panama	-	-	88	-	-	-
Peru	-	-	-	26	-	133
Venezuela	-	-	283	42	-	-

Source: International Monetary Fund, *Private market financing for developing countries*, Washington, December 1993 (for data up to 1992), and information provided directly (for 1993 and 1994).

[a] Depositary receipts in the United States market (ADRs) and depositary receipts in the world market (GDRs) for new capital widening (primary issues).

Table A.19

LATIN AMERICA AND THE CARIBBEAN: INDEXES OF STOCK-EXCHANGE PRICES IN DOLLARS

(Annual percentage variations) [a]

	1990	1991	1992	1993	1994 [b]			
					1 April	1 July	1 Sept.	18 Nov.
Argentina	-38	392	-28	67	-10	-15	-1	-14
Brazil	-68	152	-	91	37	6	77	84
Chile	31	90	12	30	1	17	30	47
Colombia	27	174	36	32	47	51	46	23
Mexico	25	100	19	46	-12	-19	-6	-14
Peru	...	...	...	35	23	16	23	54
Venezuela	572	34	-43	-10	10	-34	-20	-32

Source: ECLAC, on the basis of International Finance Corporation (IFC) figures and *Latin American Weekly Report* (WR-94-47), 8 December 1994.

[a] Year-end. [b] Variations in relation to year-end 1993.

Table A.20

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT [a]

(Millions of dollars and rates of variation)

	Year-end balance								Annual rates of variation				
	1987	1988	1989	1990	1991	1992	1993	1994[b]	1979-1981	1982-1983	1984-1992	1993	1994[b]
Latin America and the Caribbean	**427 561**	**419 530**	**423 052**	**441 486**	**456 036**	**474 127**	**504 488**	**533 765**	**22.9**	**11.2**	**3.2**	**6.4**	**5.8**
Oil-exporting countries	**188 333**	**186 072**	**181 052**	**191 498**	**205 187**	**207 664**	**224 810**	**238 740**	**24.7**	**10.7**	**2.6**	**8.3**	**6.2**
Bolivia[c]	4 278	4 043	3 492	3 768	3 582	3 784	3 777	4 230	14.3	9.4	2.0	-0.2	12.0
Colombia	17 047	17 359	17 007	17 556	16 975	16 833	18 602	21 445	28.0	16.0	4.4	10.5	15.3
Ecuador	10 320	10 581	11 322	11 856	12 271	12 122	12 806	12 960	21.0	18.3	5.7	5.6	1.2
Mexico[d]	102 400	100 900	95 100	101 900	114 900	114 000	127 400	136 000	30.2	11.9	2.2	11.8	6.8
Peru	15 373	16 493	18 536	19 996	20 990	21 710	22 127	23 055	1.0	13.8	6.4	1.9	4.2
Trinidad and Tobago	2 082	2 012	2 400	2 520	2 433	2 215	2 098	2 250	29.3	16.3	5.0	-5.3	7.2
Venezuela[e]	34 833	34 684	33 195	33 902	34 036	37 000	38 000	38 800	24.7	4.0	0.7	2.7	2.1
Non-oil-exporting countries	**241 228**	**233 458**	**242 000**	**249 988**	**250 849**	**266 463**	**279 678**	**295 025**	**21.4**	**11.7**	**3.7**	**5.0**	**5.5**
South America	**209 825**	**201 012**	**206 752**	**213 878**	**215 617**	**230 760**	**244 362**	**259 250**	**21.9**	**11.1**	**3.6**	**5.9**	**6.1**
Argentina	58 324	58 473	63 314	60 973	63 700	65 000	68 000	75 000	41.9	12.4	4.2	4.6	10.3
Brazil	121 174	113 469	115 096	123 439	123 910	135 949	145 660	151 500	14.4	10.6	3.7	7.1	4.0
Chile	20 660	18 960	17 520	18 576	17 319	18 964	19 655	21 470	30.5	7.6	0.6	3.7	9.2
Guyana	1 736	1 778	1 801	1 812	1 856	1 871	1 906	1 950	28.1	17.8	7.7	1.9	2.3
Paraguay	2 043	2 002	2 027	1 695	1 666	1 279	1 217	1 255	12.3	24.5	-1.5	-4.8	3.1
Uruguay	5 888	6 330	6 994	7 383	7 166	7 697	7 914	8 075	35.9	21.2	6.0	2.8	2.0
Central America and the Caribbean	**31 403**	**32 446**	**35 248**	**36 110**	**35 232**	**35 703**	**35 316**	**35 775**	**18.2**	**16.1**	**4.8**	**-1.1**	**1.3**
Costa Rica	4 384	4 470	4 488	3 930	4 015	4 050	4 052	4 100	12.8	14.7	1.5	0.0	1.2
El Salvador[c]	1 880	1 913	2 169	2 226	2 216	2 338	1 958	1 960	17.7	8.4	2.4	-16.3	0.1
Guatemala	2 700	2 599	2 731	2 602	2 561	2 500	2 086	2 095	19.0	24.8	1.7	-16.6	0.4
Haiti[c]	752	778	803	841	809	819	830	870	21.0	21.7	4.5	1.3	4.8
Honduras	3 773	3 810	3 374	3 547	3 174	3 538	3 762	3 920	17.5	16.7	5.6	6.3	4.2
Jamaica	4 014	4 002	4 038	4 152	3 874	3 678	3 647	3 660	22.6	14.9	2.6	-0.8	0.4
Nicaragua[c]	6 270	7 220	9 741	10 616	10 312	10 806	10 987	11 600	27.1	21.5	12.4	1.7	5.6
Panama[c]	3 731	3 771	3 814	3 714	3 699	3 548	3 494	3 540	9.0	13.8	1.3	-1.5	1.3
Dominican Republic	3 899	3 883	4 090	4 482	4 572	4 426	4 500	4 030	24.2	14.0	3.3	1.7	-10.4

Source: ECLAC,on the basis of official information.

Table A.21

LATIN AMERICA AND THE CARIBBEAN: TOTAL INTEREST DUE AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES

(Percentages)

	1979-1981	1982-1983	1984-1987	1988	1989	1990	1991	1992	1993	1994[a]
Latin America and the Caribbean	**23.7**	**38.7**	**34.8**	**28.8**	**28.3**	**25.1**	**23.1**	**20.5**	**19.6**	**19.1**
Oil-exporting countries	**20.4**	**33.1**	**31.6**	**28.6**	**27.0**	**22.1**	**21.1**	**21.0**	**20.4**	**20.0**
Bolivia	26.4	41.6	44.6	41.0	30.2	25.0	26.9	24.4	20.7	16.4
Colombia	14.3	26.3	22.7	20.7	21.7	19.0	16.4	14.5	12.4	12.0
Ecuador	18.4	29.6	30.1	32.5	33.7	29.3	25.0	19.4	18.4	16.1
Mexico	31.8	42.5	36.0	29.9	28.3	24.1	23.4	23.4	23.1	23.5
Peru	19.3	27.3	29.2	26.7	22.5	27.1	26.5	22.9	24.6	22.0
Venezuela	9.5	21.3	27.2	29.0	26.6	17.0	15.4	18.3	16.9	15.8
Non-oil-exporting countries	**27.4**	**45.5**	**38.2**	**29.0**	**29.5**	**28.1**	**25.2**	**20.0**	**18.8**	**18.4**
South America	**30.1**	**49.3**	**40.9**	**30.3**	**31.1**	**29.6**	**26.5**	**20.4**	**19.5**	**19.3**
Argentina	24.1	56.0	52.7	42.0	51.2	38.0	36.2	28.5	22.7	20.3
Brazil	35.9	50.1	38.6	29.4	29.2	31.4	27.6	20.9	21.6	22.3
Chile	24.7	44.2	38.5	21.7	18.5	17.8	14.6	11.2	10.2	9.3
Paraguay	13.1	15.3	17.0	12.5	7.1	5.3	6.1	10.7	6.4	7.3
Uruguay	11.2	23.6	29.3	25.0	27.2	26.9	21.2	17.6	16.6	13.8
Central America and the Caribbean	**12.5**	**20.8**	**19.9**	**18.7**	**17.1**	**14.7**	**15.7**	**16.7**	**13.8**	**11.9**
Costa Rica	19.7	34.6	23.5	22.0	23.6	15.4	10.0	8.5	7.0	6.3
El Salvador	6.4	12.0	11.1	9.5	8.8	13.0	12.5	11.2	10.6	10.2
Guatemala	5.3	8.3	14.5	13.9	11.3	11.2	7.1	8.8	5.0	4.3
Haiti	2.6	2.4	5.4	8.2	9.5	8.7	9.7	7.1	7.5	13.3
Honduras	11.2	19.3	16.5	17.6	17.6	18.0	23.0	24.1	23.2	20.1
Nicaragua	22.8	42.7	73.0	96.7	62.1	58.3	110.3	158.5	115.6	108.7
Dominican Republic	18.0	23.6	19.0	14.7	11.6	8.1	11.8	12.1	10.4	8.0

Source: ECLAC, on the basis of official information.

[a] Preliminary estimates.

Table A.22

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES [a]

(Percentages)

	1979-1981	1982-1983	1984-1987	1988	1989	1990	1991	1992	1993	1994[b]
Latin America and the Caribbean	**236**	**338**	**372**	**342**	**310**	**294**	**305**	**299**	**302**	**280**
Oil-exporting countries	**205**	**258**	**332**	**342**	**287**	**255**	**275**	**274**	**281**	**262**
Bolivia	241	338	501	603	403	386	390	490	422	373
Colombia	146	265	259	258	233	203	187	183	189	177
Ecuador	158	237	311	400	394	364	360	334	361	299
Mexico	267	341	372	347	289	266	289	275	284	272
Peru	234	306	391	447	423	491	499	501	509	433
Venezuela	153	200	258	314	237	180	207	238	241	222
Non-oil-exporting countries	**271**	**403**	**413**	**341**	**331**	**334**	**335**	**321**	**321**	**297**
South America	**293**	**423**	**435**	**342**	**328**	**332**	**335**	**322**	**325**	**302**
Argentina	274	480	567	525	538	412	444	443	432	412
Brazil	330	419	406	315	307	356	361	340	340	316
Chile	227	380	401	229	182	180	155	151	166	145
Paraguay	156	372	269	182	129	90	101	83	67	71
Uruguay	157	213	365	361	344	342	326	329	337	284
Central America and the Caribbean	**154**	**275**	**334**	**338**	**351**	**349**	**330**	**317**	**288**	**262**
Costa Rica	205	299	309	276	244	199	182	157	135	123
El Salvador	109	210	207	203	266	253	245	265	188	166
Guatemala	73	163	225	205	192	166	152	132	115	97
Haiti	120	170	205	283	339	345	324	650	692	1 160
Honduras	160	265	395	371	318	344	312	337	346	315
Nicaragua	341	733	1 239	2 644	2 859	2 707	3 048	3 494	2 994	2 729
Dominican Republic	162	263	205	204	197	224	231	206	192	161

Source: ECLAC, on the basis of official information.

[a] Calculated on the basis of the external debt figures given in table A.20 and the corresponding data on exports of goods and services. [b] Preliminary estimates.

E.94.II.G.96
Printed in United Nations – Santiago, Chile